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VILLAGE LEVEL WORKER
AND
THE COOPERATIVE MOVEMENT

OFFICE OF THE PRINCIPAL
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EXTENSION TRAINING CENTRE

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PREFACE

We have placed before ourselves the ideal of establishing a socialistic pattern of society and a welfare State. Its realisation implies all round progress of the people belonging to all sections and regions of the country. Poverty, inequality and scarcity of all kinds have to be rooted out and the standard of living improved. There has to be a mighty upsurge of progress—economic, social, cultural and political. 82.2 per cent of the people live in the rural areas. The main work for the establishment of a welfare State has, therefore, to be done in the villages. As a result of exploitation, neglect and repression during centuries of foreign rule, rural India is utterly backward. The morale of the villagers has been shattered and they seem to have reconciled themselves to their fate. The situation demands dual approach. Efforts to develop the villagers have to be combined with efforts to inculcate in the villagers, the moral courage to go forward. Community Development has been started with a view to accomplishing this twofold task of awakening the villages and developing them. Establishment of Panchayati Raj and a society based on Cooperation are the features leading to this goal. Community Development is the method through which it is sought to develop the rural areas. Along with political and social development, economic upliftment is necessary. Political and social awakening resulting from Panchayati Raj will lack substance without economic development. And for scarcity-stricken and resourceless villagers, Cooperation offers the way for economic progress. Thus, Community Development and Cooperation are supplementary to each other.

In the Community Development programme, the village level worker comes in most intimate contact with the villagers in his area. He is their friend, well-wisher and guide. His conduct and spirit wins him their cooperation. They repose great faith in him and look up to him for better understanding.

This vital position of the village level worker makes him most effective instrument for the propagation of Cooperative Movement in the villages. He must, however, have a full comprehension and knowledge of the task before him. The present book is intended to help him in acquiring this.

Cooperation covers a very wide field. It is being successfully experimented not only in villages but in many aspects of urban life also. Even in the economically advanced countries, it is yielding good results. Cooperative societies can be formed for agricultural and industrial production, marketing of manufactured goods, manufacture of consumer goods from raw material, running motor and other transport services, housing, distribution of commodities and arrangement of other social services. The village level worker need not go into the details of all these. An understanding of the basic principles of cooperation,

its place in the Community Development work and the ways to coordinate the work of Panchayats and Cooperative Societies are all that he needs. He should know how Cooperative Societies are formed and also how the cooperatives falling within his area are to be managed. Having this in view the organisation, scope, membership, working, etc., of Service Cooperatives, Marketing Cooperatives and Industrial Cooperatives have been elaborately dealt with in this book. It has, of course, been kept in mind that the village level worker is basically a Community Development organiser and Cooperation is not the only task he has to perform. He is also required to look after agricultural production, animal husbandry and farm-plans of the farmers in 8 or 10 villages. Therefore, Cooperative laws have been broadly touched upon without going into their subtleties. They would, in the first place, be beyond the comprehension of the village level worker. Secondly, he does not need to know these details. Thirdly, they would have unnecessarily increased the volume of the book. If he wants to know more about these he should consult the Cooperative Extension Officer. The language used in this book, as far as possible, is the language of the common man so that its comprehension and communication may be easy and simple.

The author shall feel fully satisfied with the attempt if it is found useful by the village level worker. To help him is the motive and the purpose of this book.

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CHAPTER I

PRINCIPLES AND LAWS OF COOPERATION

The concept of cooperation is not new to the Indian mind. Mutual help and cooperation have been the way of life in Indian villages since ancient times. To cooperate in the digging of new wells, and building of temples, mosques or gurudwaras has been considered a religious duty by all. People with large farms even now get help and cooperation from others at the time of ploughing, sowing, irrigating and harvesting. Tanks, *nallas* and dams are built in villages through cooperative effort. It is this spirit of cooperation that is today nourishing the idea of *Shramdan*.

There is a *mantra* in Upanishad which says: "Let us protect each other. Let us enjoy the world together. Let us do the deeds of bravery together." It expresses the desire of Indian people to work in cooperation with one another. Ideas of socio-economic cooperation must have formed the basis of the Hindu Joint Family system. When a family is divided, the land is also divided, the resources diminish and the sources of capital shrink. Agriculture was the backbone of Indian economy. All these factors that harm it must not have escaped the view of sages who formulated the laws of Indian society, and set up the joint family system.

In course of time, along with political disintegration, the social and economic disintegration also set in in Indian life. As a result of India's contact with Europe the basic principles of community life yielded place to individualism and we gradually lost the spirit of cooperation and community life. Today, cooperation appears to us as something new.

Modern cooperation may not be entirely new for us but it is certainly somewhat different from the spirit of cooperation that we know of. In ancient times we had cooperation based on a spirit of mutual help which only rarely manifested in large-scale organisational forms. Modern cooperation, on the other hand, is based on the principle of collective work and is practised in an organised form on a large scale.

Cooperative society is an organisation which people join voluntarily on a basis of equality with the aim of advancing their economic interests. This definition gives an idea of the basic principles of cooperation. Anybody can become its member. The members voluntarily organise themselves on a basis of equality.

Although the aim of Cooperative Societies is to improve the economic and social conditions of the people, yet it should be seen that economic progress is based upon ethical progress and moral force. Cooperative institutions are meant to unite, organise and strengthen the people. They inculcate in them the spirit of self-help and educate them how to improve their economic conditions through service and hard work. Their chief aim is to promote self-dependence and frugality and to check extravagance. Cooperative institutions are business institutions, similar to companies, firms and other such organisations. The only difference is that the companies and firms are managed by individuals solely for profits whereas Cooperative Societies are the organisations of enlightened people and their aim is to serve and to develop character in men.

Four Fundamental Principles

There are some fundamental principles of cooperative societies, the observance of which is necessary for their success. These principles are:—

(*i*) Open membership;

(*ii*) democratic management;

(*iii*) spirit of self-help and mutual cooperation;

(*iv*) distributive justice.

Open Membership.—Anybody can be the member of a Cooperative Society provided that he fulfils its laws and bye-laws. There shall be no discrimination of religion, race, caste, creed or sex. In other words, anybody who shares his/her economic interests with the other members of the society, can be its member irrespective of caste, creed or religion. Of course, he must fulfil the conditions of membership.

One can become the member of a Cooperative Society at will. The membership can also be relinquished freely. No one can be either compelled to become a member or prevented from ceasing to be a member.

Democratic Management.—A Cooperative Society is managed by its members on democratic lines. Every member of the society enjoys equal rights. Whatever the number of shares that a person may have, he has only one vote. One member may have one share and another may have ten, but each one of them will have one vote. In Joint Stock Companies the members can exercise as many votes as they have shares. In the meetings of these companies the shareholder can send anybody to cast votes on his behalf but in a Cooperative Society the vote cannot be exercised unless the member is present in person. Thus, a cooperative is more guided by considerations of service and ethical principles.

There is a limit up to which a Joint Stock Company is allowed to issue shares. No further shares can be issued after the stipulated amount has been collected. But in the case of a cooperative society, membership is always open and the question of closing its doors upon anyone does not arise.

Spirit of Service.—Shareholders join the other enterprises only to earn profits, but in a cooperative venture the main aim is to secure the best service through self-help and mutual cooperation. A cooperative does not attract members by the hope of dividends. It, however, does not mean that the money invested in the shares of a cooperative society should not yield any interest. There is always a provision to give some dividend on them.

The government has fixed a ceiling on the dividends that a cooperative society can declare. The tradition all over the world is to keep it to a minimum. The cooperative societies stress that instead of making profits, they should provide to their members commodities and services at market price. In the cooperative movement it is a matter of prime importance that the members fully utilise the services of the society. Another aim of these societies is to encourage among members the habit of saving for the rainy day. The savings also form the resources for the Cooperative Movement.

Distributive Justice.—Cooperative Societies are business organisations, but they have also certain moral and social objectives. Being run on commercial lines, it is natural that a cooperative society should make some profits at the end of the year. Even after paying interest on shares and bonus to the workers, a portion of the profits remains in balance. How should this money be distributed? If it is distributed in proportion to the shares held, the people who invest more shall get more profit as it happens in the case of big companies, but this runs contrary to the fundamental principles of cooperation. The other alternative could be to reduce the prices of commodities. It would involve competition with other traders in the market, the consequences of which may be harmful. Therefore, a third way has been found that a person should receive profit in proportion to the use that he makes of the Cooperative Society. Suppose, Ram and Sham are members of a consumers' cooperative society; Ram has five 10-rupee shares, while Sham has only one, but Ram has purchased from the cooperative shop, goods worth only one hundred rupees whereas Sham has purchased goods worth one thousand rupees. In this situation Sham will get a bigger share of net profit than Ram, who, though he has invested more money, has made less use of the society. This is called distributive justice. This implies that mere membership of the society is not enough; it is necessary to make full use of it.

Secondary Principles

Besides the above fundamental principles there are some secondary principles also. The most important is inculcating the habit of cash transactions in the members. Strict neutrality should be observed in the matters of religion and politics. There should be propagation of the lessons of Cooperation.

When one purchases on credit there is no alternative but to pay the price quoted by the shopkeeper. One who pays cash, can purchase from wherever he likes. The aim of the cooperative societies is to serve the members and not to earn fat profits. Therefore, the cooperatives encourage cash purchase. On cash payment, one purchases only that what is necessary, while on credit, many unnecessary things are also bought. Thus the cooperatives save their members not only from paying higher prices but also from making unnecessary purchases.

A person belonging to any religion, creed or political party can be a member of the cooperative society provided that he is not of unsound mind, bankrupt or has been a convict in some criminal case. If a cooperative gets involved in religion or politics, it cannot function.

In accordance with the democratic system of management members of a cooperative participate in its elections, functioning, etc., and thereby get training in cooperation. The members keep an eye on the functioning of the managing committee. At times, they can ask for general body meetings to be able to put forward their suggestions.

Cooperative education can be imparted through personal contact, mutual conversation, meetings, etc. Books, pamphlets and bulletins on cooperation can also be published. Films, conferences and study groups can prove useful in this work.

Apart from this, cooperative societies make arrangements for training in particular trades or occupations. Active participation in the functions of the society can serve in spreading cooperative education.

Main features of Cooperation Law

All cooperative societies are run in accordance with the Act passed on the subject, the rules framed under it and the bye-laws of the cooperative society under each section. Cooperation is a State subject and each State has its own Act on the subject with its rules and bye-laws. Circumstances differ from State to State and from region to region in a State. Therefore, uniform Acts, laws and bye-laws for the whole country are neither practicable nor desirable. In this book, however, only those features of the Cooperative Act, rules and bye-laws will be mentioned which are common in all the States.

It would be proper to give a brief introduction to the development of the Cooperative law before describing its main features.

The idea of forming cooperative societies was conceived with a view to saving the peasants from the heavy interest charged by money-lenders. The first Cooperative Act was framed to give relief to the peasantry. It was known as "Cooperative Credit Societies Act, 1904". It aimed at providing some facilities and privileges with a view to encouraging the formation of Credit Cooperatives. It was a simple and easy Act which could be understood even by the illiterate peasant. According to it the provincial governments were given ample initiative to frame laws, etc., for the management and control of cooperative societies. However, it was soon discovered that the Act was not comprehensive. It provided for the formation only of the primary credit societies and not for the formation of other than credit cooperatives and other federal societies of primary cooperatives. These defects were removed in the Cooperative Societies Act of 1912, but even in this the simplicity and flexibility of the earlier Act was maintained.

After the constitutional reforms of 1919 the Cooperative Movement entered a new phase. According to these reforms, Cooperation became a provincial subject. Many provinces found that Cooperative Movement was not adequately advancing under the Act of 1912. They, therefore, framed their separate laws. Thus Bombay, Madras, Bihar, Orissa and Bengal framed their own laws in 1925, 1932, 1935 and 1940 respectively. In all these laws the basic core of the Act of 1912 was kept intact.

The laws governing the functioning of cooperative societies that prevail in various States are based broadly on one of the following Acts :

(1) Cooperative Societies Act, 1912 (Central).
(2) Bombay Cooperative Societies Act, 1925.
(3) Madras Cooperative Societies Act, 1932.
(4) Bengal Cooperative Societies Act, 1940.

Some of the important features of these Acts are given below :

(*a*) *Appointment of Registrars.*—According to the Cooperative law, a Registrar is appointed to register the cooperative societies. To assist him in his work some more people are appointed and they are given total or partial powers of the Registrar. Ordinarily all the powers of the Registrar are exercised by the Assistant Registrar appointed for a district.

(*b*) *Registration of Societies.*—All societies can be registered which are formed with a view to advancing the common economic interests of their members. These societies can be of limited

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or unlimited liability. Unless there be a contrary directive by the State the liability of a society which incorporates another society, will be limited whereas if the aim of a society is to advance loans or if its membership consists predominantly of peasants, its liability would be unlimited. If the membership of a society is on individual basis, it must have at least ten adult members. No amendment in the bye-laws of a cooperative society would be considered valid unless it is registered by the Registrar who will register it only after being satisfied that the proposed amendment or alteration is not contrary to the Act or the rules and bye-laws framed under it.

(c) *The functioning of the Society.*—No member can hold more than one-fifth of the total shares of a society with limited liability. Every member shall have only one vote. The vote can be exercised only in person and not by proxy. On the property of the debtor, the credit of the society shall be the first charge except that the dues of the Government shall be deducted first. One-fourth of the total profit of the cooperative society shall go into the Reserve Fund.

(d) *Inspection of the Society's Work.*—The Cooperative Societies Acts in all States provide that the Registrar should inspect the papers of a cooperative society at the instance of the institution that advances money. Besides this the work of the cooperative society is inspected from time to time by the Registrar or by a person authorised by him.

(e) *Checking.*—The Registrar can check up the organisation, functioning and the financial position of a Cooperative Society on his own initiative or on a request by one-third of its members. A report of this check-up is sent to the bank which advances money to the society.

(f) *Audit.*—The Acts in all the States provide that the Registrar or a person appointed by him must audit the accounts of a Cooperative Society once a year. After the audit the Registrar informs the Society of the defects found in its functioning so that they may be removed.

(g) *Execution by the society.*—If a member does not repay the loan taken from Society on time or even on demand thereafter, a suit can be filed against him before the Registrar, receiving whose decree, the property of the member concerned can be attached. In case there is a fear that the member would transfer his property and thus make the Registrar's decree ineffective, the attachment can be effected even before the decree is given.

(h) *Dissolution of Cooperative Societies.*—The registration of a Cooperative Society can be cancelled if the Registrar, after inspection, finds its functioning unsatisfactory or if three-fourths of its membership make an application to that effect. After cancelling the registration, the Registrar appoints a liquidator who takes all the property of the Society in hand, pays off its debts and, finally, winds up the work of the Society.

(i) *Appeal, reconsideration, etc.*—Appeal regarding the decisions made under the clauses of this Act, can be lodged before the Registrar or the State Government. Appeal against refusal to enrol a person as a member or against expulsion from the Society can be made to the Registrar. Similarly an appeal before the Registrar can be lodged if the registration of a Cooperative Society has been cancelled. The case for reconsideration of the Registrar's decision can be sent to the State Government. The State Government can reconsider some of the matters at its own initiative also.

Cooperative Rules.—The aim of the Cooperative Societies Act is to provide a concrete structure for the registration and functioning of a Cooperative Society as also to provide the medium and privileges for their guidance, check-up and control. For the items requiring flexibility and for the affairs connected only with the mode of work, rules are framed in accordance with the Cooperative Societies Act. If these rules are provided for within the Act, it would become not only rigid but disproportionately long and detailed.

These rules are framed by State Governments keeping the local conditions in view. It is not necessary to get them approved by the State legislature. The State Government can modify them whenever it feels the need for doing so. The publication of these rules, modifications or amendments, in the State Gazette is, however, necessary. These rules are concerned broadly with the following things :

The fixation of maximum limit up to which the Society can take loans, how and in what form should the society keep its resources which can be readily converted into cash and the matters connected with it; the audit fee; the investment of the reserve fund of the Cooperative Society; the procedure for amending the bye-laws of the Cooperative Society; the definition of the rights and responsibilities of the members; distribution of profit; filing suit for realisation of the outstanding amount and deciding the procedure for execution after a decision or decree on it.

Bye-laws for Societies.—Besides Cooperative laws and rules framed under them, bye-laws are made to provide to Cooperative Societies the necessary legal framework. They contain the aims and objects, functions and mode of working in accordance with the Act and the rules. Although these bye-laws are framed by the Cooperative Society which also has the right to amend them, yet they have to be registered with the Registrar. Thus the bye-laws of a Cooperative Society are an essential part of its legal basis. They aim at helping the Society to function in accordance with the Cooperative Societies Act and the principles of Cooperation.

The important features of these bye-laws are given below :

—the name and address of the Society;
—its scope and aims;
—the form and limits of the members' liability;
—the value of a share of the Society;
—the entrance fee and other fees to be charged from members;
—rules, etc. for the enrolment of new members;
—the sources of income;

—the maximum limit of loan that the Society and every member can get;

—the procedure for calling meetings of the General Body and the Managing Committee and the rules regarding intimation;

—the rights and responsibilities of the Managing Committee and the General Body;

—the mode of election of the members of the Managing Committee; and

—the mode of distribution or utilisation of the net profit.

To facilitate the establishment of Cooperative Societies a model set of bye-laws for forming every kind of Cooperative Society, is framed in each State. These bye-laws are adopted with slight changes by people who want to form a Cooperative Society.

CHAPTER II

COMMUNITY DEVELOPMENT PROGRAMME & COOPERATION

During the pre-independence period Indian people carried on a three-fold struggle—political, social and economic—under the leadership of Mahatma Gandhi. Gandhiji advocated the highest mental, economic, political and ethical progress of mankind. Political independence was the first prerequisite for achieving these ideals. Good Government was the step that could be taken only after self-government was established.

Gandhiji expressed his beliefs in a letter to Jawaharlal Nehru in which he wrote :

> "Nobody has the right to ride over others, nor should anybody do so. If we want to create necessary conditions for this kind of life, we shall inevitably come to the conclusion that the unit of society should be either the village or a small community which, to all intents and purposes, is self-sufficient for its basic needs and is bound together by mutual cooperation and mutual dependence."

> "I have no doubt whatsoever that if India, and through India the world, has to be free in the true sense of the word, we shall, sooner or later, have to recognise the fact that people shall live not in towns but in villages, not in palaces but in huts."

Obviously Gandhiji wanted to make village the unit of India's development. It so happened that his death occurred at a juncture of Indian history when after the end of a long period of political dependence India had just embarked upon a new era in which to find a path for building a Society in consonance with her past heritage.

India was faced with a choice whether to advance towards a western type of urban civilisation dominated by centralised industrialisation or towards a simple economic structure based upon small self-sufficient units. Nehru has been always holding the view that we should make use of modern technological developments and it is necessary to do so considering the country's needs of economic progress.

82.2 per cent of India's population is rural. In other words, real India lives in villages. Villages cannot be ignored in any development activity. We have undertaken to raise the living standard of the people and to build a society in which everybody finds profitable employment and in which the economic power does not concentrate in a few hands.

Community Development Programme is, indeed, an important step towards rural development. It is bringing a new awakening in the village community of India which has been exploited in the past and deprived of all facilities for progress and new life.

Economic, social and cultural uplift of the rural community is the objective of Community Development Programme. No aspect of village life remains untouched by it. Agriculture, animal husbandry, village industries, education and other services are all included in the programme.

Agriculture is the main occupation in the villages. Yet the fields are divided into small holdings. The self-sufficient character of the community has been destroyed by urbanisation. Hence, the great need for cooperation. Without mutual cooperation it is not possible either to utilise the resources or to make any progress. Therefore, cooperation has become inevitable for village development. In fact, Panchayats and cooperative societies have become the main pillars of democratic decentralisation. Through the medium of Panchayats the rural community can realise its democratic system of management while through Cooperative Societies the practical cooperation of the people can be utilised for the welfare of all.

Cooperation can, indeed, prove to be an instrument for putting an end to exploitation of the villages. It is with this end in view that Vinobaji talks of rural self-government and describes it as the next destination after independence. Hence the need for decentralisation of administration and economy. Panchayats and cooperatives provide the basis for that. Of course, Vinobaji lays equal stress on ethical values in all progress.

Small holdings, lack of resources, inadequate arrangement for seeds and implements, etc., are reasons enough for the introduction of cooperative farming. By consolidating holdings and resources and by working in mutual cooperation the farmers can benefit one another. Cooperative farming and service cooperatives, help them in this direction. By running village industries on cooperative lines profit can be earned through Consumers' Cooperative Societies. Credit Cooperatives can provide protection from the clutches of the money-lenders. Landless farmers can earn a good livelihood by forming cooperative societies. Thus cooperation is an integral part of the development of rural life, or rather of community development.

Community Development Programme is an aided-programme which encourages the villagers to help themselves. It aims at making the rural communities self-sufficient with regard to the basic necessities of life like food, clothing and housing. For realising this aim, locally available resources of men and money have to be mobilised and put to the maximum use for production purposes. As 70 per cent of the rural population depends for its livelihood on agriculture, improving agricultural production is the primary function of this programme. Extension services have been organised to induce peasants to adopt improved methods of cultivation and to teach them to make use of fertilisers, improved seeds, green manure, improved implements, etc.

The aim of Service Cooperatives formed in every village is to enrol all the peasant families as members and to make available to the peasants loans, implements and services adequate for their farm plans. As such the success or otherwise of Service Cooperative Societies will be measured by the efficiency in agriculture in that area.

To make a farm-plan for every peasant, to estimate his needs of loans and implements, to provide these to the peasants at proper time and to see whether the peasant is carrying out his farm-plan or not and whether the loans and implements are being utilised for the purpose for which they are given or not—all this involves heavy work. All of them, however, are inter-dependent. Neither the Community Extension Service nor the Service Cooperative Society can by itself have arrangements elaborate enough to handle this whole task. Therefore, the two have to coordinate their work.

The main problem here would be to harmoniously and effectively co-ordinate the processes of Service Cooperative and Community Development Organisation. If the Extension Officers give some suggestions to the farmers for improvement, they cannot be implemented without money and means. Similarly even after the Service Cooperative Societies have made available loans or implements, no improvements can be effected without technical advice or guidance in methods of cultivation and production. As such the success of the efforts of a Service Cooperative Society will, to a large extent, depend upon the work of the Extension staff.

Community Development Programme has brought a new awakening and new thinking in the village community. To this extent a suitable atmosphere has been created for successfully running the Service Cooperative. No concrete steps, however, have been taken to see, that the work of the two is coordinated. The Agriculture Extension Officer of the CD Block can help in making farm-plan for every peasant and in estimating his requirements of loan and equipment. It should be carefully assessed, how much money and resources can the peasant himself mobilise for his farm-plan and how much should the Service Cooperative provide. In the beginning the peasant himself cannot invest a large sum but stress should be laid on the peasant making the maximum investment. The Service Cooperative should provide only such resources which are beyond the peasant to arrange. How much money a Service Cooperative has to arrange and what equipment, in what measure, it has to procure should be decided upon by mutual consultation and contact between the Community Development workers and the people of the Service Cooperative.

To see that the loans and equipment provided by the Service Cooperative Society are properly utilised for the production purposes, is also the joint responsibility of the officers of the Extension Block and the Service Cooperatives. The Village Level Worker in his capacity as an extension worker can do a lot in this direction.

In every community development block, there is an Extension Officer for Cooperation just as there are Extension Officers for Agriculture, Animal Husbandry, Panchayats, Rural Engineering, etc. But the most vital role in the Community Development Programme has to be played by the Village Level Worker because he is in intimate contact with the villagers. It is necessary that he is imbued with a sense of service.

In the midst of modern urbanised civilisation, if the country has to be developed, devoted service needs to be rendered in the villages which form the backbone of the country. It requires selfless and constructive workers who should live and work in the villages. In fact, Village Level Worker should be a person of high calibre. First of all, he should be aware of the significance of his work. He should be aware of the objectives and know the ways and means to achieve them. We are progressing towards a society, predominantly agricultural but free from exploitation. Panchayat and Cooperation are the instruments for realising it. Therefore, the Village Level Worker should have full knowledge of these. Besides possessing basic knowledge of agriculture, animal husbandry, village industries, etc., he should be keen to see that the resources are properly employed through mutual help and cooperation.

The Village Level Worker should keep aloof from the internal politics of the village and should have the personality to win the confidence of people holding opposite views in the villages. His constructive sense should

be so strong that he should be able to employ all the resources for village uplift. He should have the capacity to understand a situation and suggest solutions of problems. Some understanding of health and hygiene, too, is necessary. In fact, he should be the centre of the entire Community Development activity. Cooperation should be his watchword because without cooperative effort it is impossible to remove the poverty of villages. Unless we remove the suffering and poverty of the village, we cannot convert self-government into good government.

Broadly speaking, the task of the Village Level Worker should be to acquaint the villagers with their problems, to awaken in them the desire for good life and to tell them that their condition can improve by their own efforts. He should help them in assessing and mobilising their resources and also in procuring from Government institutions all the aid necessary for implementation of the programmes that they chalk out.

The Village Level Worker should tell the villagers how other villages have improved. The know-all attitude should be avoided and attempt should be made to utilise the experiences of the peasants. He is their friend, philosopher and guide not only in agriculture but also in other spheres.

He should take his work not merely as a job but in the spirit of service. The villagers and peasants, in the present conditions, can make the best use of their available resources through cooperation. In fact, cooperation is the basis of the entire Community Development programme. Its aim of socio-economic uplift can be achieved only through cooperative effort. Community Development can be put on a sound foundation only when there is a network of cooperative farms, service cooperative societies and other cooperatives.

CHAPTER III

VILLAGE PANCHAYATS AND COOPERATIVE SOCIETIES

The aim of Community Development is to develop the community, taking the village as the primary unit. For this the village community shall have to assume responsibility and take initiative for making the basic necessities easily available to all members of the society so that they may enjoy security and freedom as its members.

To do this it is necessary that the village community should have an estimate of the available resources of the village and should make their best use for the fulfilment of its particular needs. However, while doing this the responsibility of contributing towards the fulfilment of the needs of that wider community of which we are all members, should not be ignored.

All such means should be employed which bring diversity in our economic life, provide to every individual lucrative and socially useful employment and check the tendency among educated village-folk to rush towards cities. Economic plans for rural life have to be so devised that the intellect of the rural youth finds ample scope for concrete work in the villages.

In short, within the framework of democratic decentralisation started with the above thinking and aim, the Village Panchayat would serve as the basic unit to initiate the work in that direction and to properly function and regularise the work already started. That is why, under the law, they have been given ample authority and responsibility so that they can adequately manage their village community.

Village Panchayat has been made a statutory body; it has its own resources and has the power to levy taxes. Every adult villager is a member of the Gram Sabha which elects the Panchayat.

The Village Cooperative Society is a voluntary organisation of those villagers who come together with a view to help and cooperate with each other for the realisation of their broad economic ends. Although the cooperative society aims at enrolling all the villagers as its members yet the will of each person is inviolable. If a person does not like he may not become a member. Those who become members, enjoy the right to give up membership. It is admitted on all hands that to make Cooperation a popular movement it is necessary that the entire responsibility and initiative for social and economic development at the village level should be left to the Cooperative Society and the Village Panchayat. The two touch two different aspects of village life. Whereas the Panchayats are administrative units, the Cooperatives are commercial or economic units.

Cooperative Societies have a significant place as the economic wing in this movement of Panchayati Raj. As the basic economic units of democracy, the Cooperative Societies have to determine the course of economic decentralisation. Realising the significance of this process Prime Minister Nehru has always stressed that every village must have a Panchayat, a multi-purpose Cooperative Society and a School. The School provides education necessary for strengthening the democratic base and should also become the centre of cultural activities.

The village shall have both a Panchayat and a Service Cooperative Society. Normally the ablest people should get elected to the Panchayat. Again some members of the Panchayat should get elected on the Managing Committee of the Cooperative Society. Otherwise, some representatives of the Cooperative Society should be included in those committees of the Panchayat which are connected with the economic development of the village. This arrangement can bring about better coordination between the two.

It is also possible that, in the interests of both the Panchayat and the Cooperative, a coordination committee may be set up which should be headed by the Sarpanch and the Chairman of the Cooperative Society turn by turn. This committee should also investigate how far the Cooperative Society has been helpful to the weaker sections of the village.

At the block level there should be two representatives of the Cooperative Societies in the Panchayat Samiti—one on behalf of the Service Cooperative Societies and the other representing the Marketing and other Cooperatives. Similarly at the district level the members of the District Cooperative Bank, the District Marketing Cooperative Society or the District Cooperative Union should be included in the Zila Parishad.

In fact, what is required is that the Panchayats should think about the all-round political, economic and social development of the village. They should also try to find ways for raising the level of political consciousness in the villagers and for enabling them to take on responsibilities and carry them out. All this requires social and economic development. The loss of self-sufficiency resulting from mechanisation can be made good only through increased production, etc., which can be made possible by cooperation. If Panchayats serve as the thinking apparatus, the Cooperatives are the instruments for building a happy village community which we dream of. Improvement of agriculture is a prerequisite of rural uplift, which implies improvement in the methods of cultivation, proper arrangements for marketing and availability of the necessities of life at reasonable prices. All this can be done through cooperative societies. If the Village Panchayats create the political consciousness and the spirit of self-dependence, the cooperatives will give it a concrete shape.

So far the task of the Village Level Worker was only to create opinion in favour of Panchayati Raj. Now he has to give direction to this consciousness and strengthen the other wing of Cooperation. Panchayati Raj, Cooperative Society and Education are the three basic prerequisites for realising the aim of democratic decentralisation. So far Cooperation is the weakest. According to the 7th Evaluation Report on Cooperation only 22 per cent of the Cooperative Societies formed in Extension Blocks are multi-purpose and in half of the Extension Blocks there is not even a single multi-purpose Cooperative Society. The average number of multi-purpose Cooperative Societies for every one hundred villages is 25.7 and out of every one thousand people only 47.5 are their members. Most of the Societies have failed in all the spheres of work except that of giving loans. Till now stress has been laid only on multiplying the number of cooperative societies, and comparatively less attention has been paid to make them function properly in new fields. Therefore, with a view to properly exercising the powers and carrying out the responsibilities devolving on the Panchayats a lot needs to be done in the sphere of Cooperation and there the work of the Village Level Worker assumes great significance.

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CHAPTER IV

HOW TO FORM COOPERATIVE SOCIETIES

The formation of cooperative societies, the mode of modifying the bye-laws and of getting loans from financial institutions, the rules and regulations for grant and realisation of loans in the case of members—all these may slightly vary from State to State according to their respective laws. Changes can also be effected according to the instructions given to the Registrars of Cooperative Societies. Yet, there are some basic features that are common everywhere. They are as follows:

Organisation of the Society.—The first prerequisite for the organisation of a Cooperative Society is the willingness of the people concerned to improve their condition through cooperation. This consciousness can grow only if the problems are common and if they can be solved by mutual cooperation. What kind of cooperative society should be formed, depends very much upon the occupations of the people and the conditions in which they live.

Besides these basic pre-conditions, the other necessary factors for the formation of cooperative societies are morality, honesty, zeal and a will to work together. It is very important to determine what kind of a cooperative society should be formed for the economic welfare of a certain kind of people.

The people, for whose welfare a cooperative society is organised, should first be told the benefits it would bring to them. In creating an atmosphere for the formation of a cooperative society the cooperation of the *Pradhan* of the Panchayat, the school teacher and elderly, influential farmers is of great value. To educate the maximum possible number of peasants and villagers, some public meetings may be held. They should be held in the evening at a place where all people can easily gather. The peasants should be given full opportunity for asking questions so as to clarify their doubts. When people are fully convinced of the need for forming the cooperative society, they should be asked to sign a form expressing their desire to form the society. This should be sent either to—

(*a*) The Block Development Officer, or
(*b*) Local Cooperative Inspector, or
(*c*) Central Cooperative Bank, or
(*d*) The Assistant Registrar at the District Level.

On receiving this application the Supervisor of the Bank, Inspector of Cooperative Societies or the Extension Officer (Cooperation) of the Development Block will take steps to organise the Cooperative Society. This person can be called the convener of the society. If the convener does not come within fifteen days of making the application, the Assistant Registrar may be approached. When the convener comes, he should be given all help and cooperation.

The convener will call a meeting in which the signatories of the application shall be invited; also the meeting will be open to as many others as may come. He will explain to them the official policy on Cooperation,

the advantages of forming the cooperative society, its functions and the responsibilities of its members. People in the audience shall be encouraged to ask questions to clarify their doubts.

Thereafter he will explain the model bye-laws and their main clauses and ask the people whether these need to be amended in view of the local conditions. If necessary, changes will be made. He will tell the meeting in detail how the economically backward people would benefit from co-operation and highlight the moral aspects of cooperation.

After the discussion of aims and objects all those prepared to join the cooperative society shall be requested to put their signatures or thumb-impressions. The law requires only ten people to start a cooperative society, but from the view-point of strengthening the society and securing wider cooperation it is better if the start is made with 50 members. After the formation of the cooperative society two reports will be prepared. One will include the name, father's name, income, occupation, address, etc., of the members. The other, called the Property statement, will bear the signatures of all the members. The value of the property entered in it should not be exaggerated because it forms the basis of the society's capacity to take a loan. The meeting will also elect the Managing Committee.

Registration of the Society

The application for the registration of a cooperative society should include, besides other things, the following details: the name of the proposed society, its headquarters, sphere of operation, the liability of the members (whether it would be limited or unlimited), the names of the applicants, a copy of the bye-laws accepted by the applicants bearing their signatures, the names of the office-bearers of the Managing Committee, elected by the initial members, which will run the society for the first three months after registration. The application along with the above details and other connected papers should be sent to the Deputy Registrar or the Assistant Registrar of Cooperative Societies.

The Deputy Registrar or the Assistant Registrar would examine the application and the bye-laws and see whether they correspond to the rules under the Cooperative Act of that State and whether they are adequate for fulfilling the aims of the Society organised. He will also see the scope of its success. The society will be registered after he is satisfied on all these points. If he thinks that there is some need for modification in the bye-laws, he would make suggestions to that effect. He can also refuse to register the society but he would inform the applicants of the reasons for refusal in writing. In case the applicants are not satisfied with those reasons, they can make an appeal to the higher authorities under the Act or the rules framed thereof.

After the society is registered, a copy of the Registration Certificate and approved bye-laws would be sent to the convener who will be asked to begin the work of the society. On getting this intimation, the convener will visit the village after duly informing the society members. He will call a meeting at an appropriate time and place to which other people than the initial applicants are also invited. After the election of a Chairman, he will read out the Registration Certificate. He will briefly explain the various aspects of the bye-laws and tell what help and facilities the Government provides for encouraging the Cooperative Societies. He will also explain why a large number of people, particularly the poor and the backward, should be enrolled as members and explain the basic principles

of Cooperation. Thereafter people can be enrolled as members and the subscription realised from them. The members are asked to sign in an entry register. They are given a receipt for the subscription or the entrance fee collected from them.

The minutes of this meeting are recorded and also those of the sub-operation from the day on which it is registered.

Amendment of bye-laws

If a cooperative society wants to introduce certain amendments in its bye-laws, they should first be considered by the Managing Committee. After approval they are presented before a meeting of the General Body. When sending prior information to the members for meeting, they should also be told what the existing bye-laws are and what amendments are proposed. If the General Body, after proper consideration, approves an amendment by a two-third majority, the amendment and the related portion of the resolution of the General Body should be sent to the Deputy Registrar for registration. After consultation with the Bank that finances the Society, the Deputy Registrar registers the amendment provided that it corresponds to the Cooperation Act and the rules thereof. The amendment comes into operation from the day on which it is registered.

Enrolment of new members

A person who wants to become a member of the Society should make an application to its Chairman or Secretary as per bye-laws of the Society. The application will then be placed before the Managing Committee which, in a meeting, will take decision regarding enrolment of the new member and allotting him shares. The Society is fully entitled to accept or reject an application. Ordinarily the Society is always ready to take on a new member and when it agrees to enrol some one, the applicant is informed of it. He will have to pay the subscription for the shares allotted to him and also the entrance-fee. Only after making these payments is he considered a member.

Managing Committee

It is difficult for all the members of a Society to meet frequently but frequent consultations are necessary to carry on the work. Therefore, the General Body has to delegate most of its rights to an elected committee which is called the Managing Committee. The tenure of this committee is fixed in the bye-laws and, generally, it is one year. Its main functions are—

(1) To enrol new members and allot them shares or to approve the transfer or return of shares.

(2) To collect funds from local people or to get loan from the Central Bank.

(3) To help members in planning agricultural production and to determine their loan requirements.

(4) To call General Body meetings whenever required.

(5) To keep the accounts of the society properly.

(6) To act as an agent to arrange bulk purchase of goods required by the members.

A meeting of all the members of the society has to be called for the election of the Managing Committee. In it the convener acquaints the members with the functions and role of the society and calls upon them to elect the Committee.

Office-bearers such as Chairman, Vice-Chairman, Secretary, Treasurer, etc., are elected from amongst the members of the Managing Committee. This Committee is the trustee of the General Body. It is its duty to realise the loans advanced to members and to proceed against those who do not repay the loan in time.

The Chairman of the society presides over all the meetings of the Managing Committee and confirms the proceedings in the minutes-book. In his absence the committee can elect some other member to occupy the chair. No resolution passed in a meeting of the Managing Committee shall be considered valid unless the quorum is complete. If the votes for and against a resolution are equal, the Chairman can decide the issue by a casting vote.

The meetings of the Managing Committee are held frequently and decisions on various questions are taken after proper deliberation. By a resolution the Committee can call the meetings of the General Body from time to time.

Election of the members of the Managing Committee

The success of a cooperative society depends upon the persons handling its management. If the management is honest, devoted and zealous, the society can be sure of making progress. Therefore, it is necessary that good and honest persons are elected to the Managing Committee.

The qualities of the members of the Managing Committee

The members of the Managing Committee should have a high degree of honesty and devotion. Dishonest management is the greatest danger to the society. No person pursuing the same occupation for which the society is formed, should be elected on the Managing Committee. For example the village money-lender should not be on the management of a Credit Cooperative. He should not be bankrupt or a criminal convict. He should not be dumb, deaf or leprosy-stricken. The person should also not be related to a paid employee of the cooperative.

A number of the Committee, besides being honest, should have a zeal for social welfare. He should attend every meeting of the Managing Committee and be imbued with a sense of purpose. He helps in determining the policies of the society. He must therefore view his duties with objectivity. His main aim should be the maximum welfare of the members. His constant stress has to be on cooperation.

The member should know the Cooperation Law and should have the experience of the trade that the society takes up so that it can run efficiently.

The Secretary

The Secretary is responsible for the entire executive management of the society. He is elected from amongst the members of the Managing Committee and functions under the control only of the Chairman. Therefore, besides possessing all the qualities mentioned above, he should be a man endowed with a deep sense of social service. He should be a willing worker. He is both the manager and the clerk of the society and has to put in mental as well as physical labour—his only reward being the good done to many. He should have patience and the capacity to understand the others' point of view as also to adapt himself according to circumstances. Besides, he should be enthusiastic about successfully running the society.

The Secretary should know accountancy because the responsibility of keeping the accounts of the Society rests upon him. He, being the person responsible for guiding the Managing Committee and executing its decisions, should be honest, dutiful and disciplined. He should be literate to be able to carry out his responsibilities.

Duties of a Secretary

(1) To call the meetings of the General Body and the Managing Committee.

(2) To present the minutes of the previous meeting and to record the proceedings of the current meetings in the minutes-book.

(3) To requisition money and spend it according to the instructions of the Managing Committee.

(4) To maintain accounts and registers according to rules.

(5) To prepare a schedule on 1st April and 1st October every year of all the money received by way of loans, interest, subscriptions, etc.

(6) To prepare the detailed report of all receipts, vouchers and credits and also to prepare other papers relating to the trade of the society.

(7) To correspond on behalf of the Society and provide necessary information to members.

(8) To present without delay before the Society the audit note and to take steps to send the report for rectification.

(9) To look after and guide the work of paid employees of the Society.

(10) To sign cheques and other papers on behalf of the Society.

(11) To incur expenditure up to the limit fixed by the Managing Committee and to get its approval for that.

(12) To carry out other functions entrusted by the Managing Committee.

Thus the Secretary of a Cooperative Society is the axle round which the entire work of the Society revolves. Therefore, he should be a person devoted to social service. The success of the Society depends upon his efforts.

General Body Meetings and their significance

The responsibility of the entire management of the Cooperative Society rests ultimately with the General Body. Every member of the Society is its member. Such a big body cannot look after the day-to-day working of the Society. Therefore, it delegates some of its rights and duties to a small Managing Committee. But the Managing Committee works only as the agent of the General Body and it must carry out all its instructions.

A meeting of the General Body can be convened in the following circumstances after proper notice :

(1) The Annual General Meeting of this body will be held at the earliest at the completion of the Cooperative year.

(2) At the instance of the Chairman or two-third of the members of the Managing Committee.

(3) On a written requisition by 1/5th of members.

(4) On the requisition by the Registrar, some other authorised official or the Cooperative Bank concerned.

General Body shall elect the members of the Managing Committee. It shall consider the annual statement of accounts, and the statement of the previous year's assets and liabilities along with the recommendations of the Managing Committee. Distribution of profit according to the Co-operative Act, rules thereof and the bye-laws of the society and fixation of the maximum limit up to which it can take loans shall be the task of the General Body. It will also fix, according to the instructions of the Registrar, the limits of short-term and medium-term loans for every member every year. It shall consider the annual budget and the programme for the year.

Functions of the General Body

(1) To consider the inspection reports and audit notes of the Registrar, his officials or the Central Bank along with the proposals made by the Managing Committee.

(2) To fill the casual vacancies of the Chairman or some other member of the Managing Committee.

(3) To consider the no-confidence motion against the Chairman or any other member of the Managing Committee.

(4) To consider proposals for suspension or removal from membership.

(5) To hear appeals on the decisions of the Managing Committee.

(6) To consider the progress made since the previous General Meeting.

(7) To approve rules and procedural regulations which are necessary for realisation of the aims of the society.

(8) To amend the bye-laws in accordance with the Cooperative Act and rules.

The Chairman shall preside over all the meetings. In his absence the General Body can elect any of its members to preside over that particular meeting. Each member shall have only one vote, whatever be the number of shares that he has purchased. The vote of a member who is absent cannot be cast by another person. All the decisions in an ordinary or special meeting shall be taken by a majority. In case of a tie the Chairman can decide the issue by a casting vote.

All members of the Society have equal responsibility. Therefore every member individually and the General Body collectively should see to it that the society functions properly. The Managing Committee should also keep the General Body informed of all its activities.

It is a part of the Cooperative Movement to educate people on the principles of cooperation and to democratically function the societies. Active participation in the General Body can well acquaint a member with many things concerning Cooperation. It provides him full opportunity for the development of personality. He can offer constructive criticism of the functioning of the Managing Committee and its office-bearers, if he finds that their work is prejudicial to the interests of the society. Thus the meetings of the General Body serve as a forum where people can fearlessly express their views.

The members should have a feeling that the society belongs to them. They should remain loyal to it and its interests and should not indulge in anything that harms the prestige and honour of the society. Every member should keep an eye on the activities of other members. If somebody is doing something which is contrary to the interests of the society, it must be brought to the notice of the Managing Committee or the General Body. If the conduct of a member is harmful for the society, the Managing Committee and the General Body should be stoutly supported without any fear or partiality and a demand should be made to expel that member. Such behaviour inculcates a sense of responsibility in the members and strengthens the will to stand by what is right.

In no case should the General Body delegate the following privileges to the Managing Committee or to anybody else :

(1) The election of the members of the Managing Committee.

(2) The submission of the annual report to the Registrar of Co-operative Societies.

(3) The annual audit certificate of the Registrar.

(4) Amendment, subtraction or addition in the existing bye-laws.

(5) Expulsion of a member.

(6) To hear appeal against the Managing Committee.

(7) Fixation of society's liability every year after considering the approved statement of the assets of the members.

(8) To approve loans for members of the Managing Committee, their relatives and dependants.

(9) To elect a representative for the local union, central bank or some other central cooperative institution in which the society has shares.

(10) The decision to affiliate or disaffiliate the society from the local union, central bank or some other central federal institutions.

(11) To put the unrecoverable loan in bad debts after getting approval from the Union Inspector and the financing Bank or the Registrar.

(12) To approve allowance for a manager for doing clerical work or to pay remuneration for any special service rendered by a member.

(13) To pass the budget.

(14) To extend the period of payment of loan.

Thus, the members have to be careful about their rights and duties. If the members properly discharge their duties, they would not only get economic benefit but also get experience of running institutions on democratic lines. They will develop self-confidence and become better citizens which is of great importance for the success of democracy in the country.

Application for loan

Loans from the Cooperative Society are available only to members. These are short-term seasonal loans for agricultural purposes, short-term ordinary loans and medium-term loans. All these loans can be simultaneously taken although ordinarily the loan of a member would not exceed

8 or 10 times his paid-up share capital. No member shall get a loan more than the fixed limit. Thus the money of the society will be available to small peasants and poor members also.

Short-term seasonal loan can be given only to the peasant members. The annual limit for this loan will be fixed on the basis of the farm-plan and average expenditure keeping in view the members' land, the expected crop during the year, system of reform within the farm-plan and the capacity to repay the loan. The loan-limit thus fixed shall be considered adequate for the expenditure on agricultural operations of the member during the year. Within this limit the member can make a demand for loan as many times during the year as the Managing Committee decides.

Seasonal loan for agricultural purposes shall be given, as far as possible, in kind. In special circumstances the whole or part of this loan can be given in cash also. Seasonal loan has to be repayed after a period of maximum one year but it can be realised a little earlier or a little later too, depending upon the realisation of the crop. Thus the payment of loan falls due round-about the time when the crop is ready for sale.

Short-term ordinary loans can be given to members other than farmers for a period of one year for the purchase of machinery and raw-material, for cottage-industries, for ordinary business or some other fixed purposes. Surety of two members is necessary for all short-term loans. The members who stand surety need not be land holders.

Medium-term loans

The Service Cooperative Society can advance loans for bullocks, bullock-carts, animals, farm implements, permanent improvement of land and other tasks approved by the Registrar from time to time. This loan can be advanced for a maximum period of three to five years and it can be given in conditions and circumstances decided upon from time to time by the Managing Committee. For a loan of Rs. 50 to Rs. 1,000 only a charge on the members' land is created but for a larger sum, land, etc., has to be mortgaged.

The condition for the repayment of loan is decided upon in view of the use to which it is to be put. If the Managing Committee feels that the loan has not been used for the purpose for which it was advanced, it has the right to realise the entire loan at once. The interest to be charged on the loan shall also be decided upon by the Managing Committee but it will not, in general, be more than 8¾ per cent. If the loan is not repayed in time and if it is misused, the Managing Committee can charge penal interest.

It is useful to take the help of the Village Level Worker or the local cooperative inspector while preparing the application for loan. The peasants shall have to be told that they should get loans only for their agricultural requirements and not for marriage or some other purpose. But if a loan for some other purpose becomes necessary they should not go to the money-lender. It can be taken from the Cooperative Society which will be in a position to give the loan up to a certain fixed limit. When a farmer has got such a loan, he shall have to sell his produce through the Cooperative Society or through the nearby Marketing Cooperative so that the loan-money may be appropriated from the money realised from the sale.

A separate application has to be made if a member needs to take a medium-term loan. The ratio of the loan to the share capital is fixed according to the bye-laws of the society. The needs of a member, however,

may sometimes exceed the amount of loan that he can take. In such a situation he will have to invest more money as share capital. After he has done so, the application will be put before the Managing Committee which will examine whether he has adequate shares for the loan and also whether he has the capacity to repay the loan or not. This capacity will be assessed on the basis of his farm-plan. In case the Managing Committee is satisfied on all these points, the loan can be advanced. It is easier to assess the loan requirements in areas where farm-plans are made. Here the applicant will be required to attach the farm-plan with the application for loan.

After the Managing Committee has approved the loans, the Secretary of the Cooperative Society shall prepare an application for obtaining the loan from the Central Cooperative Bank. This application, along with the recommendations of the local Cooperative Supervisor or Inspector, will be sent to the Central Cooperative Bank.

In order to get a loan from the Central Cooperative Bank, the Cooperative Society has to attach a note promising to pay the money on demand. Ordinarily the Bank does not demand the money before the stipulated time, but the advantage of procuring such a note is that on the strength of its surety the Bank can get a loan from the State Cooperative Bank.

With a view to check up the loans that the Cooperative Society advances to the members, the Central Cooperative Bank demands from the Society the list of people to whom the loans are to be given and the loan of the Bank is approved only after a proper examination of the loan-applications. Besides this, the prior approval of the Central Cooperative Bank is necessary to give loans beyond a certain limit.

After getting the sanction of the loan by the Central Cooperative Bank the Secretary of the Cooperative Society can bring the money and distribute it in the manner approved by the Managing Committee. The Managing Committee shall keep an eye on the use of the loan through its Secretary, Local Cooperative Supervisor or Inspector and will see that the loan is used for the purpose for which it has been taken.

The limit up to which the Rural Cooperative Society can take loan.—When a farmer becomes a member of a Cooperative Society, particularly a Credit Cooperative, he expects it to arrange loans necessary for agricultural operations and other requirements. The Societies themselves do not have much money and they have to take loans from the Central Cooperative Bank for meeting the loan requirements. Earlier the Village Cooperative Societies, which were not called Service Cooperative Societies, had unlimited liability with the result that their borrowing power was greater. Later on in some States the option was given that the Societies can have limited or unlimited liability. These days people prefer to have societies with limited liability.

Fixation of the loan-limit.—The amount of loan that the Rural Cooperative Societies can get from the Cooperative Bank, according to law and in practice, is given below:

Societies with unlimited liability.—In Bombay State, societies with unlimited liability, in their General Body meetings fix the borrowing power which is one-sixth of the total property of its members as assessed before 1956. Sometimes it is one-fourth also. The financing organisation keeps on evaluating the property of the members after every three years. The approval of the Registrar for the limit thus fixed is necessary.

In Madras and Andhra the borrowing power of the Societies is fixed by the Registrar according to the instructions of the government. This limit, these days, cannot exceed one-eighth of the total property of the members. The property of the members listed in the property schedule is evaluated at market rates. Ordinarily the Registrar and the Central Co-operative Bank decide the borrowing power keeping many things in view, *viz.*, the total property of the members, total income, capacity to repay the loan, the money that the society has, audit categorisation and the record of repayment. This borrowing power is revised from time to time.

In U.P. the borrowing power of a Cooperative Society is fixed by its annual general meeting. It is decided on the basis of the requirements of the Society and the property of the members and is, usually, one-eighth of the latter.

In Assam, the borrowing power is decided upon by the unlimited liability of cooperative societies themselves and the decision is binding on the Registrar. Normally this limit is 10 per cent of the property of the members. In West Bengal also the Societies determine their borrowing power in the general meeting but the Registrar has a right to make changes in it. In Bihar, Punjab, Delhi and Himachal Pradesh the borrowing power is fixed in the same way as in the case of societies with a limited liability.

Societies with limited liability.—For these cooperatives the borrowing power is fixed in the bye-laws and it is a multiple of their own capital. In Bombay a limited liability cooperative cannot take loan amounting to more than eight times the share capital and cash deposit of the society without taking prior permission from the Registrar. In U.P. the maximum borrowing power can be fixed by the Cooperative Society itself, but if it is more than ten times of its capital deposit, permission has to be taken from the Registrar. In other words with the permission of the Registrar, the society can get loan more than eight times in Bombay and more than 10 times in U.P. In practice in U.P., the borrowing power of the Cooperative Society is fixed in accordance with the borrowing power of its members. The sum-total of the borrowing power of the members is the borrowing power of the Society.

According to rules in Rajasthan loans can be advanced up to eight times the paid-up share capital of the Rural Cooperative Society. The approval for this limit also has to be taken from the Registrar or the financing Bank. In Bihar the societies can take a loan up to ten times the paid-up share capital and cash deposit taken together. In Orissa this limit is ten times while in Mysore and Kerala it is eight times. Big societies and big Agricultural Banks can take loans up to 10 times. In Punjab the societies can determine their maximum borrowing power in the annual general meeting and it is generally ten times the paid-up share capital but approval of the Registrar for this limit has to be taken. In Madras and Andhra the right to determine the borrowing power has been given to the Registrar. The Government of Madras has recently authorised the Agricultural Banks to take loans amounting to ten times their own capital.

The borrowing-power of a cooperative society is fixed under rules and bye-laws or it is fixed by the Registrar. Generally the Central Cooperative Bank gives approval for it, but it is better if it has a hand in the fixation of the borrowing power of the Rural Cooperative Society. In some States the Cooperative Bank uses certain criteria while granting new loans. For example in Madras and Andhra if 33-1/3 per cent of the loans against the

members are overdue and the society has fallen overdue by 25 per cent to the Bank, further loan shall not be granted. In Rajasthan further loan is not advanced if the society is in overdue by 40 per cent of the loan to the Bank. In U.P. also loans are not granted to societies which do not pay back in time but recently it has been decided that if the overdues are not more than 15 per cent, further loan may be granted.

The official policy, in general, is to bring about such amendments in the Acts, rules and bye-laws whereby the farmers can meet their loan requirements for increasing production but while doing so their capacity to return the loan, and their honesty and keenness for hard work is kept in view.

The work does not end with providing large amounts of loan to the maximum number of people. It has also to be seen that the loan taken from the society is properly utilised and then repayed in time so that the credit of the society with the Bank that provides the money may stand. Therefore, while fixing the borrowing-power of the Cooperative Society what should be kept in view is not only the increased loan requirement but also the need for maintaining the credit of the society in the eyes of the institution that advances money. This credit of the society would correspond to the financial position and stability of the society. The banks can confidently give loans after examining the capital position of the society with limited liability and the property of the members of a society with unlimited liability. The creditor also sees that the loan is used for the purpose for which it has been taken. Therefore, if every peasant household has a farm-plan and there is adequate arrangement for its implementation, the members would be able to repay the loan of the society and the society, that of the Bank. There would be no fear of any part of the loan being lost. A promise from the member that he would sell his produce through the Cooperative Society taken at the time of advancing the loan can serve as an adequate surety for repayment.

In future the need for giving loans to peasants on cooperative basis will increase. Therefore, the maximum borrowing-power of the Service Cooperatives should be increased. However, when there is a large amount overdue with the members, when the loans are not given for production requirements, and when there is no system of relating the loans with the sale of the produce, the finance-giving Bank or such other institution will not consider it desirable to increase the borrowing-power.

The borrowing-power of the cooperatives is higher if in certain parts of a State farm-plans are made and implemented or if the marketing of a portion, or the whole of the crop is arranged through the Marketing Cooperative. Unlimited liability societies require more loans in order that more landless peasants may become their members. The property of these members will be very little but their loan requirements would be large. Therefore, a loan amounting to one-eighth of the total property of the members would not be adequate.

Consequently, the Registrars have been authorised to review and fix the borrowing-power at 10 to 12 times the owned capital of a society. At present they can ordinarily take a loan only up to eight times of their owned capital. Similarly, the Registrar can approve for unlimited liability societies a loan equal to one-sixth of the total property of its members. The Registrars give their approval in consultation with the Central Cooperative Bank with which a particular Cooperative Society is affiliated.

The borrowing-power of eight times the owned capital of a limited liability society and one-eighth of the total property of the members of an unlimited liability society should be occasionally reviewed in the light of the work done so that whenever need arises, the efficient cooperative societies may be approved for more loans. This flexibility will help in meeting the requirements of various societies.

Registers and Records

A variety of processes have to be gone through and various kinds of papers maintained for running an institution. They include registers, ledgers and other such things. If these papers are not properly maintained there can be much confusion. The accounts of the cooperative society should be properly maintained, and in such a straight and simple way that there is no scope for confusion. These papers should also be properly protected.

A brief description of all these registers, etc., is given below:

(1) *Membership Register.*—It contains the record of all the members. Besides their name, father's name and address, it also includes information about the number of shares held by each one of them.

(2) *Share Register.*—In this register is kept a record of how many shares a certain member has, when he purchased them, how much of the share money has been deposited and when, how much money is outstanding and when the next instalment is due. It also includes the name of the heirs of these shares.

(3) *Share-transference Register.*—This register shows the name of the member who has transferred his shares to the other member. The decision of the Managing Committee to this effect, the date of transfer, etc., are also recorded.

(4) *Property Register.*—This register is maintained by those societies whose liability is unlimited. All the members are responsible for the liabilities of such societies and all their property is subject to charge. Therefore, the entire property of each member is detailed in this register. While keeping this detail it is necessary that the property should not be over-evaluated because on this evaluation depends the credit of the society. It is written down how much land, how many animals, houses, etc., a member possesses.

(5) *Cash Book.*—The first entries of all the account are made in this and it forms the basis of all other books. Whenever an amount is received, it is immediately entered in it and expense is immediately shown in the expenditure account. All receipt and payment is, thus, noted methodically. Everyday, the balance is prepared and it is ascertained what amount the society has. The treasurer should sign it everyday so that if there is something wrong at some stage the responsibility may be properly fixed. It is a register of primary importance and should be properly and safely kept.

(6) *The Loan-account of the Members.*—The account of loan given to members is maintained in this. It includes the conditions of loan, period of instalments, the amount of loan, rate of

interest and the names of the guarantors. Account is also kept of how many instalments have been received and how many are due.

(7) *Loan Register.*—The society will keep another loan register in which will be noted the amount of loan the society has taken from the Central Bank, as also its conditions, rate of interest, when the instalment is due, how many instalments have been paid and how many are outstanding.

(8) *The Interest Account.*—In this there is the account of the interest received from members. Out of the money that the members return, first deduction is made by way of interest and the remainder is credited to the principal account. It is not necessary to keep this book because this account can be kept in the Members' Loan Register and the General Loan Register.

(9) *Deposit Register.*—The deposit of members can be shown in this register. As the money of the members can be deposited with the society, the money of the society can be deposited with the Bank. Therefore, an account of this is also to be kept.

(10) *Minutes-book for the proceedings of Managing Committee and General Body.*—It should include the notices of the meetings, the agenda and the signatures of members present in each meeting. It should record the entire proceedings under the signature of the Chairman.

(11) *The Register showing Members' Credit.*—This too is an important register. It carries all the information about the details of loans. The number of shares held by a member, the area he has under plough, his expenditure, and production as well as the details of the equipment required are recorded in it. It also shows how much money a member needs, how much he can arrange by himself and how much loan does he require from the society.

(12) *Register for receipt of goods and issuing orders.*—The society procures things that members require for agricultural purposes and for daily use. It first finds out the requirements of all and then prepares an order on the basis of which it gets the goods from the Marketing Cooperative. How many goods have been received and for how much the order has been placed, all these are recorded. Besides, details are given about distribution of goods among members during the year.

(13) *Demand and Collection Register.*—The society has to maintain a regular record of the total amount of the principal and the interest money that is due to it and also of the time when it is due because the return is possible at the harvesting time and if the demand of the society is not sent in time, it may not be possible to get the repayment. Along with this an account is kept of how much principal and interest money has been received and how much is due.

(14) *Bill Book.*—A bill is prepared and sent whenever the society has to get money from outside in any form. The Bill Book is used for this purpose.

(15) *Stock Register.*—The Cooperative Society provides better seed, improved farm-implements, manures, and insecticides for increasing production. It also procures oil, cloth, sugar, etc., at fixed rates. All these things are procured and distributed to members. Although the society functions only as an agent, yet some of the goods remain with it in stock. The account of the goods received, distributed and remaining behind is regularly kept. This account should be separate for each commodity.

(16) *Farm-plan Register.*—The farm-plan of every member is noted in this register. From this the society knows the credit of each member. Secondly, on the basis of this the society can make a farm-plan for the whole village for implementation which may further benefit every member.

(17) *Receipt Book.*—A receipt has to be given for every amount that is received by the society. For this every society has to keep a receipt book.

(18) *Voucher Register.*—On whatever item the society may spend, it is necessary to get a voucher for it. All such vouchers are kept in a voucher register. For every payment entered in the Cash Book, there must be a voucher or at least the voucher register should show the receipt of the society.

CHAPTER V

SERVICE COOPERATIVE SOCIETIES

Majority of the Indian farmers are small holders. Earnings from their own resources cannot make for good and comfortable living. Profitable agriculture is not possible on these small holdings. Farmers have to take loans even for agricultural purposes. Usually they borrow from the village money-lender who charges a heavy rate of interest. The terms for repayment of the loan are so hard and unjust that the produce has to be sold at a time when the rates are very low. Being mostly illiterate the farmers cannot escape the clutches of the money-lender. They need money, better seed, farm-implements, fertilisers etc., so that the production may be increased. An agency is also required which should dispose of the produce at good rates as also procure at reasonable rates such articles of consumption as kerosene oil, sugar, cloth, etc. It is not possible for the government to meet the requirements of every peasant. If it tries to do so the administrative machinery will become too vast to be manageable. Then, what should be done ? The only way out is to work together on cooperative basis. The villagers can solve their problems only through cooperatives known as Service Cooperatives.

The main aims of Service Cooperatives are—

(1) To encourage among members the spirit of economy, self-help and mutual cooperation; to make necessary plans for this and to implement them.

(2) To give to its members short-term and medium-term loans.

(3) To procure for the members their agricultural requirements like seeds, manure, implements, insecticides, etc. and commodities for agricultural industries, village industries and daily use; and to distribute them among members.

(4) To arrange for the sale of the agricultural produce and the goods produced by agriculture and village industries, at reasonable rates.

(5) To help in the preparation of the farm-plans for its members and to take necessary steps for their implementation.

(6) To help members with better seeds for increasing production and to arrange for the hire of farm-implements whenever required.

The doors of a Service Cooperative are open to all. Every villager of 18 years or above can be its member provided he has a good moral character and a sound mind, and lives or permanently trades, holds land or cultivates land within the jurisdiction of the Society. A person who is bankrupt or who has been convicted on a criminal charge cannot be a member. On once becoming a member one cannot resign before the expiry of one year. After a year membership can be resigned by giving one month's notice provided the person concerned is not under debt to the Society and is not a guarantor for somebody else.

If the society refuses to enrol somebody as a member or expels a person from membership, he can lodge an appeal with the Registrar or the Federal Institution, as the case may be, whose decision would be final and binding. A person, once expelled, cannot be readmitted to membership before the expiry of two years. The more families of a village become member of a Service Cooperative the better. It will be very good if at least 50 or at least 1/5th of the people in the village become members at the outset. The more people become its members, the more will be its share capital and more money would be available for giving loans to the members.

Area of Work

If a Service Cooperative is to cater for a vast area with a large population it cannot work efficiently. The membership of the Society will become too large and members will not be able to know one another well. It will not be possible for them to attend the meetings of the Society and to participate in its day-to-day work. Therefore, it is wise to keep the membership of a Service Cooperative confined to one village. It is essential for the members of a Service Cooperative to know each other well, otherwise the spirit of living together like a well-knit community will be lacking. In any case, there should be one Service Cooperative in one village. If a village is too small, the adjoining two, three or four villages can be grouped together to form a Service Cooperative. The membership of the Service Cooperative should be large enough to meet its own expenses. If the membership is small, its business also would be small. In that case, its income will not be enough to make it a viable unit.

If a Service Cooperative is formed in villages within 3-4 miles from each other or in a village of about 3,000 population, it can be expected that 5-6 hundred will become its members. It will give the Society sufficient business to run as a viable unit. Similarly the size of the Society should be manageable and all members should work with a sense of mutual responsibility. There should be no rigidity about the area of operation of a Service Cooperative. It can be modified according to local conditions.

The idea is to have one Service Cooperative for a village with a population of 3,000. However, if the population of a village is more, say four thousand, another cooperative will not be formed for the excess population. Similarly, if after forming a number of cooperative societies, a small village is left out, it will be amalgamated in one of the existing cooperatives rather than having a separate one for it. It may increase its size but no village or a part of a village will be left out.

Loans for increasing Agricultural Production

India is known for its small and scattered holdings. Cultivation in them cannot be very profitable. How can a farmer, holding 3-4 bighas of land, keep a plough, dig a well or arrange for better cultivation by using better seeds, etc.? Consequently the production is low and money for investment for the next crop is still less. Continuous fall in income creates a sense of helplessness and frustration from which a majority of Indian peasants suffer. In a state of despair the farmer goes to the village money-lender to borrow money for cultivation, who exacts a high rate of interest. The money-lender's attempt is to have a permanent hold over the farmer so that he can have a permanent source of income. That is why Indian farmer is all the time in debt.

Cooperative Societies in villages were created only to safeguard the peasants against these unjust ways of the money-lenders. Now the Service Cooperative Societies can give the loans.

Service Cooperatives can provide the necessary loans at the time of cultivation which can be repayed after the sale of the produce. As this loan is returned in a short time it is called short-term loan. The member's capacity to repay this loan depends upon the produce of his land. Therefore, while giving loan, the Society does not consider whether the member has a right to mortgage the land or not. The loan is given on the basis of his farm-plan. The various considerations are : How much land he will cultivate, how much labour he would put in and how much yield is expected.

In fact, the Service Cooperatives help to prepare for peasants such farm-plans that they may have maximum yield from their small holdings. They also try to promote cooperative farming.

Thus by providing capital they make possible agriculture on a better scale so that along with the wealth of the nation the prosperity of the individual farmer may also increase.

Earlier the Cooperative Societies did not give adequate loan to peasants; it was given on the basis of land-holding. They did not see whether the loan taken was used for increasing production or not. But now the Cooperative Societies do not judge the credit of a peasant on the basis of land-holding but on the basis of his capacity to repay which depends on his production capacity. The Cooperative gives a loan after examining the farm-plan. It makes an estimate of the money that the peasant would need for that plan, how much of it he has and how much more should be given to him. While doing so it is kept in view what crop is to be cultivated, what kind of seed and manure will be put, what farm-implements will be used and to what extent will all these increase the capacity to repay the loan.

In all these matters the situation is different in different parts of different States. It will therefore be for the Managing Committee of a Cooperative Society to see that all these things are kept in view. After assessment of the member's need, the Cooperative can give the entire money required as loan. If the loan is not given in time and in adequate measure, it will be of no use. If the loan is not given at appropriate time, it cannot be utilised for increasing production and if it is not adequate to meet the requirement the peasant will again have to go to the money-lender. This will undo what the Cooperative Society has done.

Service Cooperative Society gives loans to all its members whether they be land-holders or tenants. At the time of giving loan, no discrimination is made; the capacity to repay is the only consideration. The loan is repaid out of the money received from the sale of the produce.

The Cooperative Societies should not give loans in cash. As far as possible it should be given in the form of agricultural equipment necessary for increasing production *viz.*, farm-implements, fertilisers, seeds, etc. That would mean that the peasants get these things at reasonable rates and also that there would be no possibility of the misuse of loans.

Habit of Saving

Just out of habit the farmer takes loan from wherever it is available and spends it on unproductive items so that the money yields nothing and

he himself becomes a victim of permanent indebtedness. The habits of the peasant include extravagance on marriage and funeral ceremonies. Even if he does not spend the borrowed money on these occasions he would waste his own savings which otherwise could be utilised for some useful purpose. Service Cooperative Society looks after this aspect of their members' life also. It sees that the loan is properly spent and a part of it is saved also.

Economy and frugality are an important feature of the cooperative movement. Even if cooperative effort leads to increased production, capital formation and self-sufficiency will not be possible without the habit of saving. The rural community can prosper only if it is entirely independent of external financial aid and can meet its requirements from its own savings. The Service Cooperative should work for the idea of a self-sufficiency. It can be achieved only if the members of the Society save money and deposit it with the society. For this the activity of the society should be many-sided. The Managing Committee should be efficient and should have adequate funds at its disposal. Only then will the members have confidence in the society and deposit money with it. The cooperative movement will be considered successful, only when the co-operative society becomes self-sufficient to carry on its work.

The society should fix an attractive rate of interest and should give better facilities for the deposit and withdrawal of money. Besides this, people should be convinced of the importance of saving and economy through propaganda. The societies should conduct saving drives at the harvesting time when the peasants can easily deposit money. They should, however, be careful that they do not come in competition with the National Savings Organisation.

The Service Cooperative Society can encourage savings habit among its members through various ways. On behalf of those who are willing it can open a Savings Bank Account where the members can deposit or withdraw the money. The members can be given a pass-book indicating the money deposited and withdrawn. When a member gets money from the sale of his produce, he may be asked to put the maximum possible amount in the share capital of the Society.

The above methods of saving are the easiest. Besides this, savings can be effected by depositing money for a fixed period, by keeping a pro-note or cash box at home or by children's saving devices. The methods to be adopted for saving money are usually mentioned in the bye-laws of the Society. Therefore, this brief mention here is enough.

Procurement of commodities

To improve the condition of village, it is necessary to increase agricultural production. It requires not only large-scale farming but also fertilisers, manure, good seeds and farm-implements. If there is no manure in the field, good seed and good implements also will not bring the desired benefits. Similarly, without good seed, manure and implements will be of no avail. In spite of manure and good seed if the fields are not properly ploughed and prepared, there will be no good result. Therefore the Service Cooperatives try to make arrangement for all these things simultaneously. If the members require bullocks they provide not only bullocks but also good ploughs. Manure and fertilisers are procured and distributed among members.

The arrangement of farm-implements, improved seed and manure comes in the category of procuring resources for increase in production. How should the Service Cooperative Societies go about it ? They can either purchase these things in bulk or take the agency of some large marketing cooperative. Cooperative Societies in India have not yet become so strong as to undertake the risk of entering into the business of purchasing these things. A better way is to first find out from members what they require, and then prepare a consolidated demand list for fertilisers, implements, improved seeds, etc. So far as farm-implements and fertilisers are concerned they can be procured from the Cooperative Marketing Society and distributed to the peasants. As they do not have ready cash to pay for them, the society takes loan from the Central Co-operative Bank which makes direct payment to the Marketing Society. The Cooperative Society supplies these things to its members either on cash payment or on credit to be adjusted against their loan. Thus the farmer gets things at reasonable prices and the society also feels assured that the loan given by it is being used for increasing production.

The problem of giving improved seed is slightly different. The question is whether the Society itself should produce good seed, get it produced from progressive farmers or get it from the government stores. It is not possible for every society to produce improved seeds of all kinds because it involves many things like land, its cultivation, etc. Therefore, most of the societies do not enter such a venture. They can, at the most, set up model farms. In fact, that get the seed produced by progressive farmers and distribute it. The farmer has to be paid for this in cash. The price of seed purchased from the government stores also has to be paid in cash.

The important thing in this connection is to keep the seed safe so that by the time of sowing, it does not get spoilt due to moisture, etc. The farmers should start using improved seed. When they get more yield from improved seed and begin to apply better implements and manure, the agricultural production would automatically go up.

Similarly for getting insecticides the Society can become an agent of a Marketing Society.

All these steps would augment agricultural production. Besides, the societies can procure according to the needs of the farmers commodities of daily use like cloth, salt, sugar, kerosene oil, matches, etc. When the Society purchases these things in bulk, it would get them cheaper. The cost in terms of cartage, time, etc., will also be less. Thus, things would be purchased at cheaper rates and transported to the village at less expense and hence made available to members at lower rates. This will also help in improving their economic condition.

Procuring commodities is a kind of business. There can be many risks involved in the rise and fall of prices. Therefore, the society should, as far as possible, work as an agent and not take the risk of purchasing. If at all it has got to purchase or sell on a large scale, it should keep a separate account otherwise there is always a fear of confusion in accounts.

Relations with Cooperative Marketing Society

The peasants generally are not in a position to wait for selling their produce till a time when a good price can be had in the market. As the farmer has to pay the land-revenue or the loan-money to the money-lender or has to incur some such expenditure, he is compelled to sell the

produce at a time when the market is down. Thus he has to sell his produce at a cheap rate because he cannot wait. Whatever he sells he sells through the *bania* or the commission agent who pays the peasant a still lower price because he, too, has to make his living from it. Besides, there is a lot of other bungling in the markets. The purchasers are dishonest. The weights and measures are not correct. In short the peasant is not only compelled to sell at cheaper rate but has also to suffer on account of incorrect weights and measures, etc. Therefore, the Service Cooperative Society manages that the produce of its members are sold through some Marketing Cooperative. If nothing else, it saves the peasant the money which the *bania* or the commission agent takes away or which he loses because of other mal-practices. Moreover the Marketing Societies try to sell the goods at a reasonable price. If the market is down, they hold back the goods in the warehouses and sell later. If the peasant cannot afford to wait, these societies keep the goods and pay him advance money which they later deduct from the money realised from the sale of the produce. Thus the Service Cooperative is able to arrange for the sale of the produce of the peasant at a comparatively higher rate and save for him the commission of the *bania* or the commission agent. This gradually improves the condition of the peasant.

The Service Cooperative in its new form has not only to give loans but also to ensure that the loan is employed in production and get the farmer full price for the produce. If it does not make arrangement for getting full price for the produce most of the profit is taken away by the *bania* or the commission agent who purchases it. Therefore, the Service Cooperative Society tries to get the produce sold through the Marketing Cooperative Society. At the time of giving a loan for agricultural production, it assesses the capacity of the farmer to repay the loan on the basis of his farm-plan. Therefore, in the Promissory Note written at the time of advancing loan, it is stipulated that the peasant would sell his produce through the Marketing Cooperative Society and that the Service Cooperative shall be entitled to get back its money through it.

The Service Cooperative can collect and keep the grain of its members and, if need be, immediately send it to the Marketing Cooperative which can either sell it at once if the prices in the market are suitable or hold it back. If the peasant is immediately in need of money, the Marketing Cooperative can advance the same against the grain which would be sold only when the price is reasonable.

When the Marketing Cooperative sells the produce it will first deduct its commission, then the money advanced to the peasant and thereafter pay to the peasant the remainder after deducting the loan that the Service Cooperative has given to him. The money deducted as the loan of the Service Cooperative can be deposited directly with the Central Cooperative Bank.

If the Service Cooperative has to do all this it will need a godown to keep the grain. The godown can be rented out. The government gives financial help also for construction of godowns to selected Rural Cooperative Societies. A maximum amount of Rs. 10,000 will be given, 75 per cent of it as loan and 25 per cent as subsidy. For this an application has to be made to the Registrar. If he is satisfied that a certain Cooperative Society has sufficient business to require a godown, he would help it in getting financial help.

border of two States its scope, even then, should be determined according to trade facilities, not according to territory. Of course, the society shall be controlled by the Registrar of that State in which it has been set up.

The scope of the society shall also depend on whether it wants to arrange the marketing of all the commodities produced in an area, or of only one commodity and not all, but more than one. If a Cooperative Marketing Society wants to deal in one commodity, it will have to confine its work only to the area producing it which can be much wider than that of an ordinary Marketing Society.

Membership.—The Service Cooperative Societies or other Rural Cooperatives falling within the area of the Cooperative Marketing Society can be its members. The individual peasants of the area can also become members. The traders can be made associate members with no right either to vote or to be elected to its Managing Committee.

So far as Service Cooperative Societies or other Rural Cooperatives are concerned, it is better if all of them become its members. Their membership is necessary from three points of view :

(1) If the realisation of the loan given to farmers has to be related to the sale of their produce so that the Marketing Society becomes an instrument for getting back the loans advanced by the Rural Cooperatives, they must become its members.

(2) The Rural Cooperative Society has to get for its members things like improved seed, better farm-implements and fertilisers from the Marketing Society; therefore, their mutual contact is highly desirable.

(3) The Rural Cooperative Society or the Service Cooperative Society will in future collect grain or other goods from the farmers on behalf of the Cooperative Marketing Society. This also makes it imperative for the Service Cooperatives and Rural Cooperatives to become members of the Marketing Cooperatives.

Service Cooperatives today have a dual function—to save the peasant from the money-lender by giving him loan and to increase agricultural production so that the condition of the peasantry improves and they do not have to borrow. The conditions of the peasantry would not improve merely by increasing agricultural production; they should also get full price for their produce. This can be accomplished by the Marketing Cooperative and the Service Cooperative can help it by becoming its member. Therefore, effort should be made that all Service Cooperatives and other Rural Cooperatives become members of the Marketing Cooperative.

No effort should be spared for enrolling farmers as members of marketing cooperatives. There are many advantages of doing this. In the first place, a direct link between the society and the farmer is established so that it becomes easier to collect the produce and transport it. Secondly, it would mean more share-capital with the society in the very beginning. The Zonal Seminar on Cooperative Marketing held in February, 1961 at Agra, recommended that all restrictions on farmers becoming members of the primary Marketing Cooperatives should be removed and every attempt should be made to enrol maximum number of farmers as its members.

If the traders with whom the Marketing Cooperatives have to deal, are made associate members, it will prove helpful in the functioning of the society. They should, however, be kept out of the Managing Committee of the society.

its work. In order that these societies may open their doors to the weaker sections of the village community, the government gives to each society an annual grant towards special bad debt reserves which is based upon the increase in loan given every year, particularly to the weaker members.

The procedure of the Service Cooperative

To be of maximum use and service the Service Cooperative will first have to study what the problems of its members are, how their condition can be improved and what can be done for the improvement of agriculture and utilisation of their leisure time. After a thorough study of all these problems a plan can be made and steps taken to meet the collective requirements of all.

First of all the Cooperative Society has to attend to agricultural production. Arrangements had to be made for fertilisers, implements, improved seeds, etc. Loans can be arranged for peasants who do not have bullocks, etc.

Besides meeting these initial requirements steps can be taken to collectively provide irrigation facilities and prevent soil erosion if required. Animal husbandry programme can also be taken up simultaneously so that farm-animals are kept in good condition and the number of milch cattle increases. Arrangements for providing stud-bulls, service goats, poultry etc. of a better stock can be made. Steps can be taken to provide compost and green manure for the area.

The Society can plan cottage industries employing local resources. These can be started as spare-time occupation by the members. This will give them some additional income and mitigate unemployment.

Arrangement for marketing goods thus produced will have to be made. The Service Cooperative can arrange for marketing the articles produced in its area and for bulk purchase of its requirements like implements, seed, manures, etc., as also the things of daily use, *viz.*, cloth salt, sugar and oil.

The success of a Service Cooperative in meeting the various requirements of its members, will depend largely on its resources. The more money it is able to mobilise the more efficiently would it work. By its mode of functioning a Service Cooperative can mobilise additional money. For this purpose it (1) may increase the share capital which can be done at the harvesting time; (2) may increase the amount of money deposited by the members; and (3) may set apart as reserve a part of the profit that it earns. Rich people, who are not members of the Society, may be persuaded to deposit money with it. These are the various ways in which a society can add to its resources.

No Service Cooperative Society can run entirely on its own; therefore, it has to establish a link with the bigger institution, the Cooperative Bank. The Service Cooperative in fact serves as the base in the whole structure. It should become a member of the Central Cooperative Bank established at the district headquarters. This will make the sale and purchase of goods more convenient and profitable for the society.

The Service Cooperative Society should purchase shares of the Central Cooperative Bank. The Society will be able to get loan from the Bank in proportion to the shares it has. The Bank, in turn, will be

in a position to get more money from the government and other sources on the basis of its share capital. Thus the purchase of the shares of the Central Cooperative Bank by the Cooperative Society is beneficial for both. The Service Cooperative must possess the Cooperative Bank shares in proportion to the loan it requires. By inviting loan-applications from members on prescribed forms, the society can find out how much money it would need and can arrange with the Cooperative Bank accordingly. But the Service Cooperative should try to work with its internal resources and depend upon external loan as little as possible.

For the success of a Service Cooperative Society it is very necessary that the ledgers, registers and account books are properly maintained and entries in them made regularly. Apathy in keeping proper accounts can be detrimental in so far as proper business decisions may not be taken, members may lose faith, and the credit of the society may go down. It is therefore necessary that the accounts are audited at proper time and placed before the General Body for consideration.

Indeed the Service Cooperative can be the hub of the entire economic life of the village. It can be of great use even as a multi-purpose co-operative society and is an important step in realising the dream of good village government.

CHAPTER VI

COOPERATIVE MARKETING SOCIETIES

The needs, compulsions and poverty of the Indian peasant generally compel him to sell his produce when the prices in the market are low. The Royal Commission for the study of Agricultural conditions in India described these difficulties in the following words :

"The peasant is put to loss by bungling in balances, weights and measures........

The purchaser takes away a large amount of goods as specimen and does not pay for it if he does not purchase the goods. The Commission agent through whom the peasant sells his produce, sides more with the purchaser because he has to come in more frequent contact with him than with the peasant who is only an occasional visitor."

Indian Central Banking Investigation Committee has mentioned a few other difficulties besides these :

"Even after the price is fixed, it is further reduced at the time of weighing because the purchaser refuses to take the goods saying that it is inferior. The farmer is illiterate and burdened by debt, means of transport are unsatisfactory and there are no godowns, etc., for keeping the goods. He does not properly grade the goods for marketing and is ignorant about other markets. Between him and the final consumer there are a number of profiteers. If the village *bania* has given loan to the peasant, he purchases the produce at a low price."

To protect the farmer from all these mal-practices and to get him full reward for his labour it is necessary to save him from the village money-lender and to enable him to sell his produce under more favourable conditions. The Service Cooperative Society saves the farmers from the clutches of the money-lenders, but, arrangements should also be made to protect them from the *bania* and the commission agent; otherwise his release from the money-lender may not amount too much. This can be achieved through the Marketing Societies.

Proper marketing arrangements do not mean that middle-men between the farmer and the consumer would disappear altogether. Their aim is only to minimise the number of middle-men because only then will the farmer get adequate reward for his labour.

Important matters concerning the sale of produce :

(1) Collection of produce and its sale.
(2) Transport and storage.
(3) Giving loan for the period of storage.
(4) The processing of the goods.
(5) Gradation and standardisation.

Every farmer does not have enough produce to arrange for proper marketing. Therefore these small farmers sell their produce in small markets. If all their produce is collected and sent to bigger markets or consumers' centres they can get better price. The cooperative marketing society can collect the produce and send it to bigger markets or to consumers' centres.

Collecting the produce and its transport to the market are major tasks. If transport is arranged for larger quantities it costs less. Generally the price that the consumer pays for an article includes about 20% expenditure on transport. The cost of transport depends upon the price of the material, the places to which it has to be taken, the distance it has to be carried, the arrangement for its safety during transit and the means of transport used. The farmers usually carry their produce to the market in bullock-carts but it cannot be taken far enough by this means. For carrying it to the big market or the consumer centre, other transport arrangements have to be made which require large quantity of produce. This can only be done by a Cooperative Society.

The produce is available with the farmer only at the harvesting time while the consumer needs it throughout the year. It has therefore to be stored which means that money is blocked. Again the commodity stored loses in weight. Hence, grains, etc., are purchased at low prices at the harvest time so that these may later be sold at a higher price. The farmer has to pay off his debts and also does not have arrangement for storage. So, he is compelled to sell the produce immediately after harvest at whatever price he gets. The Cooperative Marketing Society solves this problem by storing the produce in the godown.

Without selling the produce, there is no money to pay off the debts. The Cooperative Marketing Society keeps the produce as security and gives a loan which is later deducted from the produce when it is sold. Storage is required not only for sale but goods which are for sale to the consumers. It is also required in the field of processing such as manufacture of sugar from cane, the ginning and bailing of cotton and winnowing of paddy. All these processes require implements for the purchase of which the money is provided by the Cooperative Society.

Grading and standardisation of material helps to get good price for it. Efficient workers and special instruments are required for grading. The Marketing Cooperative has to look after this aspect too. State Governments give subsidy to societies for this purpose. A Marketing Cooperative can undertake this task at a lower cost because it is not entirely motivated by considerations of profit making. Besides, by doing things on a bigger scale the collection of produce, gradation, specification, transport, etc., can be arranged at less cost.

The aims of a Cooperative Marketing Society, in brief, are as follows :

(1) To advance loan to members on the security of their agricultural produce.

(2) To arrange the sale of the members' produce so that they get the maximum profit.

(3) To store or rent out godowns so as to facilitate giving produce loans to members and the storage of their produce.

(4) To keep in safe custody the produce of the members of the Rural Cooperative Societies which has been collected as security for the loans advanced to them.

(5) To purchase good seed, fertiliser, farm implements and other agricultural equipment and to sell or distribute it to its member cooperatives or other societies.

(6) To propagate the use of good seed and to provide such seed to willing farmers.

(7) To work as an agent for purchase of articles needed by members for agricultural purposes or for daily domestic use.

(8) To acquaint the members with new techniques of agriculture that are developed and to arrange for their demonstration with the help of the Department of Agriculture.

The following things must be ensured before forming the Cooperative Marketing Society :

(1) The existing marketing arrangements in the area where the society is to be run, should be studied. If adequate and proper arrangements already exist, a Cooperative Marketing Society will serve no purpose.

(2) The peasants themselves should desire an alternative marketing arrangement so that they may sell their produce more profitably. They would so desire only if they feel that the existing arrangement is unsatisfactory.

(3) The commodity to be marketed should bring decent returns to the peasant. He would not bother about arranging the sale of things which yield very little.

(4) Marketing arrangements should be made for one or more main commodities which make for specialisation.

(5) The Society should have enough business to meet its minimum expenditure.

(6) The members should be loyal to the Society otherwise they will not make full use of it. Leading and influential people who have full knowledge of the market, should be available for work.

(7) There should be arrangement for keeping the produce in the godown and the commodity should be such as can be sent to distant places. In this way, there is a possibility of getting higher price.

Scope and Membership

The decision about the head-office and scope of the Cooperative Marketing Society should depend upon the local conditions of the area in which the society is sought to be set up. Generally its head-office should be at a place which has become an important market-place owing to general trade conditions. The societies which have established their head-offices at places which are not important marketing centres, though otherwise important, have not been successful. Initially the scope of the Marketing Society should be confined to the villages from where produce comes traditionally to that particular centre.

Where there are no established markets as in Jammu & Kashmir, the head-office should be at a central place where produce can be conveniently collected from surrounding areas for sending it to the market. In short, while selecting the head-office of such a society local requirements from the business point of view should be kept in mind. The head-office should not be set up at a place merely because it is the head-quarter of tehsil or development block. If the head-office of a Cooperative Marketing Society is on the

Responsibility and Management

A Service Cooperative can be of limited or unlimited liability. Limited liability society means that the liability of its members is limited only to the share capital. Sometimes, if the bye-laws provide, it can be a certain multiple of the share capital also. For instance, if it is decided that the liability of the members would be four times the share capital, the liability of a member holding shares worth Rs. 10 can be Rs. 40 only and not more. But in a Cooperative Society of unlimited liability, there can be no limit to the liability of its members. It implies that every member of the Society takes on himself full responsibility for the loan taken by other members of the society also. This arrangement is considered very important because the Cooperative, in this case, can get much more loan from the financing institution than the property of all the members available as surety. But these days most societies that are formed are of limited liability because they do not involve the members in the risk of undertaking unlimited liability.

Government help

In the beginning the peasants do not have enough money to mobilise adequate share capital for the Service Cooperative Society. So, there is a provision that they can pay up the share capital money in easy instalments running into one or two years. The price of a share should also be kept low so that everybody may be able to purchase it. If these Societies have to undertake a variety of jobs they would require some capital to start with. To overcome this difficulty the government may participate in the society and subscribe the share capital on a matching basis but this amount shall not generally exceed Rs. 5,000. This aid can go up to Rs. 10,000 in the following circumstances :

(1) Where the Service Cooperative is for a big village.

(2) Where the Service Cooperative has been formed in a backward area and the local people are not in a position to give so much money that a matching government contribution should make it inadequate. In this situation the official aid can be more than the share-money collected from members.

(3) Where a land is being irrigated or reclaimed for the first time and the initial expenditure is very high the condition of matching contribution has to be relaxed because more capital needs to be invested.

The government can help directly as well as through the Central Cooperative Bank. If this aid in share capital is direct the government should not ordinarily nominate its representatives on the Managing Committee direct but through the Cooperative Bank. This governmental aid in share capital can be given only if 60 per cent members of the cooperative are in favour of it and the Cooperative Bank approves it. When the Central Cooperative Bank invests in the capital of the society, it is entitled to nominate one-third of the members provided that this number does not exceed three. If the government invests in the share capital of an unlimited liability cooperative society, the liability of the government would not be unlimited. Its liability will remain limited to the amount invested in share capital. Every society shall be given aid up to Rs. 900 during the first five-year period so that they may employ a well-qualified and efficient full-time or part-time secretary to do

In spite of all these steps the primary Marketing Cooperative will not have enough share-capital to be able to carry on its work efficiently. Therefore, the State Government should also invest in its share-capital. On the basis of the share-capital received from members the State Government can invest an amount up to Rs. 25,000 in one society.

Marketing Arrangement

The only function of Marketing Cooperatives is to send the produce received to the market and to supply to the farmers farm-implements, seeds etc. To be successful a Marketing Cooperative should have a hand at every step of the sale arrangement *viz.*, it should collect the farm produce, transport it to the market, store it there, get the goods processed (ginning of cotton and pounding of paddy etc.), grade it and sell it. In this way it shall get more price for the farmer's produce.

The Marketing Cooperative can function as an agent for selling the farmers' produce. If the farmer has to wait till the market price is reasonable, it should advance him loan. If the produce of a peasants is very small, the Marketing Cooperative can itself purchase it, according to its share-capital and its bye-laws and later on send it to the market in a pool.

In direct purchase of the farm produce there is a fear of the peasants developing an apprehension that they have not received reasonable price for their produce. Therefore, as far as possible, the primary Marketing Cooperative should avoid direct purchase. It should purchase only from those farmers whose produce is very small and who cannot wait till the price in the market has come up to a reasonable level.

Money for Marketing arrangements

The village *bania* who makes purchases as an agent of the trader of the town or city, or the money-lender who is interested in purchasing cheap and selling dear, is always prepared to lend money to the peasant at the harvest-time. He gives loans even for needs other than agricultural. If the crop is good, he gives more loan. He even arranges for harvesting it.

If the cooperatives have to win over the farmers they will have to fulfil all their needs. The marketing cooperatives are so constituted that they cannot give loans in the same way as the *bania* or the money-lender gives. These societies are not fully acquainted with the character and financial condition of each one of its members. If the debtor does not repay the loan in time, they do not have the means to approach him again and again for demanding it. The society will not be able to handle this job well even if it engages a large staff for the purpose. Therefore the Marketing Cooperative should not lend money for agricultural operations; this task should be left to the Service Cooperatives. The Service Cooperative Society, while giving the loan, should make it a condition that the produce would be sold by the Marketing Cooperative through the agency of the Service Cooperative. The Service Cooperative should procure the produce immediately after harvesting and send it to the Marketing Cooperative. If a member is hard pressed for money during the period between harvesting and sale of the produce, the Marketing Cooperative can give some money in advance which can be deducted as soon as the produce is sold. The Marketing Cooperative should not generally give loan on the basis of the whole produce on the security of which loan has already been given by the Service Cooperative. If

at all it does give the loan it should see whether after payment of the earlier loan the remaining money would be enough to cover the advance that is being given.

Even on the produce against which loan has not been taken from the Service Cooperative, the Marketing Cooperative should not advance an amount exceeding 75% of the expected sale-proceeds. The advance should be given when the produce has come in hand, not on standing crops. If the market price falls or the commodity is spoilt, while the produce is lying with the society, it can demand more security from the member who has taken the advance. If the member does not produce extra security within the stipulated time, it can take back the entire advance. The possibility of rise and fall is greater in the case of commercial crops; therefore less advance should be given against them.

The grain or other goods that a member offers to the Marketing Co-operative Society by way of security, should be kept either in its own godown or in a godown recognised by the Central Bank. If it is kept in a godown rented out by the member concerned, it should be taken over from him and he should have no claim on the goods kept in it.

The godown-inspector should check up that the goods kept there are in proper condition. The inspector should also issue a certificate about the quality, quantity and the market price of the goods. The cooperative should not give the loan unless it gets the certificate and the key of the godown.

If loan is being asked for against goods kept in mud-huts or *khattis,* the members shall have to give surety of two other persons or mortgage some property. Giving loan on grain so stored is risky because it can easily be stolen or catch fire, and, if it is stored at a number of places, it cannot be properly controlled.

Ordinarily, the loan against produce is given for a period of six months. In special circumstances, this period can be extended to 9 months or a year. If a member does not return the advance within the fixed time, the Central Bank which provides money to the Marketing Cooperative, can force it to realise the amount by selling the goods.

Generally the Marketing Cooperative does not have enough money to meet the needs of all the members. So, it takes loans from the Central Co-operative Bank. The money received from the bank should be distributed to members as soon as possible.

In order to take a loan the Marketing Cooperative has to execute a Promisory Note in favour of the Bank. The notes that the members have executed in favour of the Marketing Society, can also be transferred to the Bank so that it can directly proceed whenever needed.

The money received by the Cooperative Marketing Society in realisation of loans cannot again be given as loan. It is necessary to deposit it with the Bank because otherwise it would not be able to make the payment in time and repayments of the Central Bank with the State Cooperative Bank will be affected.

The grains or goods that the members have kept with the Cooperative Marketing Society, should be under effective control of the Central Bank. These should be under the joint control of the Central Bank and the Marketing Society, no matter whether these are kept in open or closed godowns. The supervision of godowns is the responsibility primarily of the Marketing

Cooperative. If at the harvesting time a Marketing Society takes from the Bank a loan exceeding one lakh of rupees, it will have to appoint a godown inspector for the supervision of its godowns. The expenditure on the inspector will be incurred by the Bank or the Marketing Society or by both.

In the case of societies whose business is below one lakh an inspector would be appointed to supervise the work of some of them taken together. Outside every closed godown there would be a name-plate bearing the name of the Bank.

If a loan of Rs. 500 or more has been given, it is better to get the produce kept. insured. The insurance policy should be in the name of the Bank, the Marketing Cooperative or both. All related laws must be strictly followed. There have been instances when the members have taken away the goods from the godown with the connivance of the Bank inspector or the officials of the Cooperative and the Society has had to undergo a great loss.

Distribution of Agricultural Equipment and Consumer goods

While the peasants sell their produce, they also purchase agricultural equipment, *viz.*, farm-implements, fertilisers, seed and insecticides. Besides these they need articles of domestic use like cloth, kerosene oil, sugar, matches and salt. These things are purchased from the market. The farmers can be greatly benefited if all these things are purchased in bulk and distributed to them. Cooperative Marketing Society can do good work in this direction also. It can procure these articles and distribute them among the Service Cooperative Societies. Some Cooperative Societies in various States are doing good work in this regard.

In the seminar on arrangements for marketing of farm goods held at Agra, it was suggested that the Cooperative Societies should play a more active part in procuring equipment for increasing production. Where the primary marketing cooperatives undertake retail sale, they should hand over this work to the Service Cooperatives if they be in a position to take it over.

Distribution of Fertilisers

The first step towards increasing production is the application of manure and fertilisers. Fertilisers strengthen the fertility of the soil and the production increases. In villages generally cow-dung or rubbish is used as manure. Sometimes green-manuring is also done. But none of these re-introduces full fertility. If only these manures are used, the fertility of the soil goes on declining and the yield becomes less. Therefore fertiliser is required. Fertilisers are manufactured in factories and made available to peasants at reasonable price.

In fact the fertilisers are sold through the Rural Cooperative Society. For that the commission should be so distributed between the Cooperatives concerned—primary marketing cooperative and the service cooperative—that the service cooperative of the village should be able to undertake retail sale. This need has been realised and cooperative societies at different levels are now being used for the work.

In every State there is a scheduled marketing cooperative which is appointed as the sole distributor for fertilisers. These societies give fertilisers to the District Cooperative Unions or, in their absence, to the primary marketing cooperatives. The primary cooperatives do not purchase the fertilisers but get them in the capacity of agents of the scheduled cooperative

or the district union. They should ordinarily get the fertilisers distributed in the village through the service cooperatives. If at some place there is no service cooperative or if it does not function well, the primary marketing society can give the fertilisers to the peasants direct from its depots.

Distribution of Improved Seed

Full utility of the fertiliser cannot be derived unless good seed is sown. Improved seeds can increase production by 10 to 25 per cent. The agriculture departments go on doing research as to what kind of improved seed suits a particular soil for increased production. They also want to popularise these seeds among the farmers. The departments, with the help of cooperatives, are running a plan for increasing the production of improved seed and its distribution among farmers. In the beginning some progressive farmers are given this seed for multiplication. Special facilities are given to them for this. The only condition is that they should sell the produce thus obtained to the cooperative which distributes it further. The produce of this seed is also purchased by the service cooperative and sold further. Thus within three-four years all the farmers in an area begin to use improved seed.

The Marketing Cooperatives distribute the seed through the Service Cooperatives. The seed can be produced either through the above process or the model farms. It can also be procured from the Government Seed Store.

In the beginning the cooperative societies should undertake only the distribution of improved seed. Only after getting experience in this should they start the work of getting this seed produced. Necessary help for this can be taken from the State Government. Following is the arrangement for multiplication of improved seed and its distribution :

(1) The decision about the variety of seed to be multiplied and popularised and the task of producing the parent seed in the farm of the community development block and then testing the produced seed should be undertaken by the Department of Agriculture.

(2) The entire parent seed produced in the farm of a development block should be purchased by the Cooperative Marketing Society.

(3) This society should give the seed to the Rural Cooperative Societies or progressive farmers of the area. These people can get the seed direct from the depot of the development block. They should keep the Block Development Committee informed about the programme of seed-multiplication.

(4) Rural Cooperative Society should in consultation with the Village Panchayat, select farmers for multiplication of seed. There should be an understanding with these progressive farmers that they would sell the produce of that seed to the local cooperative society so that it can be given to other farmers also.

(5) The purity of improved seed should always be maintained. The purity and utility of the seed that is kept in the godowns of the primary cooperatives, should be checked up by the Block Extension Officer with the help of the Department of Agriculture.

Distribution of Improved Implements

Fertiliser and improved seed cannot improve the crop unless the implements used are of superior quality. If the peasant has improved implements for ploughing, sowing, weeding, etc.; he can greatly increase his farm-produce. The government has paid attention to this aspect also and has arranged for the supply of improved implements through the cooperatives.

The existing arrangement for this is as follows :

(1) The State government procures farm implements or equipment from its own workshops and/or from non-government manufacturers. They are distributed through the marketing cooperatives. The Department of Agriculture makes payment to the manufacturers and the Cooperative Marketing Societies go on depositing in the government accounts the money that they receive from the sale of these implements. Whenever required the marketing cooperatives have to deposit security for this.

(2) The marketing cooperatives get some commission to meet the expense on distribution which they share with the service cooperatives that distribute implements and equipment in the villages.

(3) At a later stage the marketing cooperatives make their own arrangements for procuring these implements.

(4) The manufacturers of these implements get quota of iron and steel from the Department of Agriculture. They are instructed to sell their manufactured goods to the marketing cooperatives who distribute these to the peasants on mutually agreed conditions.

(5) The manufacture of farm-implements is to be undertaken by existing or prospective Industrial Cooperatives. The manufacture of big and complicated farm-implements can also be started by the Union of marketing cooperatives.

(6) The quota of iron for the manufacture of small implements by hand should be given through the cooperative societies.

Distribution of Insecticides

The crop can be improved by the use of fertiliser, improved seed and improved farm implements but it can be destroyed by various pests and diseases. Therefore the use of insecticides is very necessary. The cooperative societies can very well do the job of providing at reasonable rates proper chemicals for eradication of particular diseases.

In order to help the cooperatives do useful work in this direction, the Department of Agriculture should, in the beginning, procure these insecticides on commercial basis and gradually pass on the work of distribution to the marketing cooperatives or rural cooperative societies. After getting some experience, the marketing societies can directly get these insecticides. Ultimately they have to take over the entire work.

The marketing cooperatives should distribute not only the insecticides but also the equipment for dusting and spraying them. At present the Department of Agriculture procures it but ultimately the marketing cooperatives

themselves have to arrange for it. The aid that the Department gives for the purchase of this equipment, should also be channelised through the cooperatives.

The Cooperative Marketing Society can secure demand notices for various articles from the Service Cooperatives in the area and arrange for their bulk procurement. Thus purchased, the goods would be cheaper and better.

Cooperative Marketing Societies can get some big implements like tractors which they can rent out to peasants and thus provide them the benefits of mechanisation of agriculture.

Similarly these marketing cooperatives can make arrangements for meeting the daily requirements of its member peasants and of the members of the service cooperatives who need cloth, sugar, salt, etc. They would thus get better things at lower rates. But the cooperative society should not make purchase or sale of these things beyond a certain limit.

The Storage Arrangement

The farmers who approach the marketing cooperative through a service cooperative or a rural cooperative society, either leave their produce with it till the time when the market rates are favourable or the produce is purchased by the society itself. To keep this grain the society requires godowns. Accommodation is required even for keeping farm implements, seeds, fertilisers, etc. For this the societies either build their own godown or rent out godowns or leave the grain with the farmers themselves. If left in ordinary houses *khattis,* a lot of grain is spoilt by dampness, rats or other insects. Therefore, shortage of proper godowns is a hurdle in the way of marketing cooperatives. The arrangement for storing fertilisers has to be different because they produce chemical effect on the building. For the development of cooperative marketing in the country, it is necessary that these societies should have their own *pucca* godowns in all the important markets and the service cooperatives should have theirs in the villages.

The government had realised the need for providing storage facilities to the marketing cooperatives in 1927 itself and was prepared to pay 50 per cent cost of construction as loan if the cooperative wanted to construct *pucca* godowns. But the societies did not avail of the facility. Perhaps they failed to mobilise the remaining 50 per cent of the cost. Therefore, the proportion of loan was increased. These days government gives 25 per cent of the cost of construction of a godown as grant and the remaining 75 per cent as loan. A sum of not more than Rs. 25,000 can be given as loan and grant to a primary marketing society for a godown with 250-ton capacity and up to Rs. 10,000 can be given for a 100-ton godown of a rural cooperative society.

Every primary marketing cooperative is expected to maintain a godown, although every rural cooperative need not necessarily have a separate godown. One godown would do for eight to ten villages. While deciding the site of such a godown it should be kept in view that the market place is nearby and that it is easily approachable to the other rural cooperatives in surrounding areas. These godowns should be normally located at a place where the produce is collected and should be subsidiary to the godowns of the marketing cooperative. The help of the engineers of the State and the officials of the cooperative departments can be available for procuring building material at fixed rates, preparing plans, construction work, etc.

Cooperative societies take time to build their own godowns. In the meantime, they have to rent out the premises. The government has decided to help in this by subsidising the payment of rent. This amount can go up to Rs. 1,250 per year. This aid can be given for a period of two years or till the godown is ready, whichever is less.

Relationship with Service Cooperatives

Within the area of every marketing cooperative, there are service cooperatives which give loans to the farmers and make arrangements for the supply of farm-implements, seed, fertiliser, etc., for increasing production and for procuring articles of domestic use. They do all this work either through the marketing cooperative or in the capacity of its agent.

The relationship between the service cooperative and the marketing cooperative has been explained in detail in the last chapter. Here it is enough to mention that the service cooperatives, while advancing loans to farmers, should get from them a written agreement that they would sell their produce through the marketing cooperative. If the members do not do so, the rate of interest on their loan may be enhanced by ¼ per cent. Before getting these agreements, all the terms should be adequately publicised.

Every service cooperative should make a list of the farmers with whom grain would be available for sale or from whom loan has to be procured. By coordinating the lists of all the service cooperatives, the marketing cooperative can determine its programme.

If service cooperatives can help the farmer in getting rid of the money-lender and in increasing production, the marketing cooperatives can get him proper price for the produce. Moreover by procuring the things that the farmers require at cheaper rates they can add to their well being.

The marketing cooperatives can cooperate with the service cooperatives in realising the loans that the latter advance to the farmers. Therefore close coordination between these societies is important not only for the prosperity of the farmer but also for their own functioning. The service cooperative has direct contact with the farmers of the village; so it can function as agent of the marketing cooperative for procuring grain and distributing farm-implements, etc. The efficiency of both depends upon mutual co-operation.

It is essential for the success of the marketing cooperatives that the markets are regulated free from the intrigues of the *bania* and that proper weights and measures are used.

The most important factor is the arrangement parallel to the chain of traders which starts with the ordinary commission agent and ends with the exporter. Above the primary marketing cooperative there should be a district level society. At the state level there should be the scheduled society and at the national level there should be a marketing cooperative Federation. The system should be so perfect that even if the traders refuse to cooperate with the cooperatives, they should be in a position to meet the challenge.

For commercial crops like jute, cotton, tobacco, etc., different types of marketing cooperatives shall have to be organised. Similarly, for the marketing of perishable commodities like fruit, vegetables, fish, eggs, etc., there should be adequate arrangements for cold storage. The government gives aid in the form of loans, etc., for cold storage. Marketing cooperatives can achieve full success only if they can manage to carry the goods direct

to the consumers' depot. Apart from the expenditure of carrying the commodity from the producer to the consumer, the entire middle mans' commission would disappear. It can make things less costly even for the consumers. Even if it is not cheaper it will be better and the producers would get fair price for their produce.

For successful management of a primary maketing cooperative people are required who should be fully sonversant with the marketing business. Such people would not work for these societies with motive of service, and shall have to be paid some remuneration. The society in the beginning, shall not be in a position to bear this expense. Therefore, the government gives aid for management expenses for the first three years which can be, in all, a sum of Rs. 2,500. In the first year the government would pay the entire expenditure of management, in the second year two third and in the third year, one third; but the total aid for three years cannot exceed Rs. 2,500.

The aid which a primary marketing cooperative can get from the government under various head, is given below :

Share capital	..	up to Rs. 25,000.
Godown construction	..	up to Rs. 25,000.
Godown rent	..	up to Rs. 1,250 per year (for two years or till the godown is ready).
Aid for management	..	Rs. 2,500 to be spent in three years.
For grading staff	..	Rs. 4,000 for three years.
For grading equipment	..	Rs. 2,500 as lump sum.

CHAPTER VII

INDUSTRIAL COOPERATIVE SOCIETIES

Seventy per cent of India's population is engaged in agriculture. Agricultural operations do not go on throughout the year. Moreover the fields and holdings are small. Because of all this the peasants remain unemployed for half the year. The landless peasants and farm-labourers get work only for, at the most, three or four months in a year. Thus a lot of human labour goes waste and the living standard of the villagers remains low.

People engaged in cottage industries also do not get full benefit because there is no arrangement for supply of raw material and equipment and for marketing. They make a living with difficulty.

Some people doubt the possibility of these handicrafts developing and also their significance for the national economy in the modern age of large-scale industrialisation and scientific progress. The examples of pre-war Germany and Japan and China show that, if properly developed and encouraged, these cottage industries can play a significant part in national economy. In a country like India where the population is large and unemployment and underemployment prevail in villages, these industries can harness the manpower that goes waste.

With a view that these people should find employment and be able to carry on work with a small capital, Gandhiji had made the spinning-wheel the symbol of independence. The spinning-wheel costs very little and by investing a small amount in cotton a man or a woman can add to his or her income. The question is on what basis should these cottage or village-industries be organised. Can individuals run them in competition with large enterprises? The answer to this was provided in 1916—18 by the Indian Industrial Commission which said that cooperative societies, particularly the industrial cooperatives, would prove useful in this sphere.

The most important problems for these village industries are:

(i) availability of adequate funds;
(ii) availability of adequate amount of raw material at reasonable prices;
(iii) manufacture of better goods from the raw material which requires new designs, new techniques and better tools; and
(iv) arrangement for marketing the manufactured goods.

All these arrangements are beyond the capacity of an individual peasant or craftsman; therefore, it is best to organise cooperative societies for the purpose. These cooperatives are of two types. Some are those which confine themselves only to giving loans to these craftsmen and artisans, procuring raw material, arranging for tools or training and marketing. The other type are those which themselves undertake production. They get the goods prepared from the artisans and sell them. The artisans do benefit from the cooperatives of the former type but it involves risk. But the artisans attached with the cooperatives that undertake production, run no risk. The latter type of cooperatives are more beneficial for the artisans as they provide them employment and save them the botheration of marketing and taking risks.

The aim of Industrial Cooperative Societies is to establish cottage industries on a cooperative basis so that the economic condition of people engaged in them may improve. To achieve this aim these cooperatives can undertake :

(1) To give loans to members for useful work;

(2) to purchase for the industries concerned necessary raw material, tools and equipment and to give these to the members on cash or credit;

(3) to give raw material and get the goods manufactured from members on payment;

(4) to purchase the goods from members and sell them at best possible rates;

(5) to purchase improved tools for industries concerned and keep them on behalf of members and to rent these out to them;

(6) to set up workshops where the members can work jointly or where it is possible to employ them for cooperative production.

(7) to procure orders for industrial goods from government departments and public institutions like municipalities and to get these goods prepared from the members or with their help.

(8) to provide or arrange for technical training in the industry;

(9) to purchase in bulk the domestic requirements of the members and to market their goods;

(10) to encourage among members the habit of economy, self-help and cooperation with other members.

Before setting up an Industrial Cooperative Society it should be properly investigated what facilities there are for procuring the necessary raw material, whether people who know the craft traditionally are available for running the industries proposed and also what facilities are available for training those who are not experts. The condition of market for manufactured goods, the availability of suitable personnel for running the Industrial Cooperative should be investigated. It has also to be ascertained what help and cooperation can be got from the local educated, rich and influential people. Above all what is to be seen is the scope of the success of the cooperative.

Industrial cooperatives are formed either to provide supplementary employment to the farmers or to provide adequate employment to the artisans and remove the difficulties that they face. Industrial cooperatives can be set up and run as successful units only at places where people follow the same occupation. It is better to form separate industrial cooperatives for various handicrafts and industries because their economic interests are the same and there is no problem of clashing interests which may happen if one cooperative undertakes more than one industry.

Membership and Share Capital

Only those people should be enrolled as members of Industrial Cooperative who are engaged in the industry for which a cooperative has been formed. People who want to do good to these artisans and who want to help the cooperative with money or by honorary service can also be taken as

members but their number should not exceed 10 per cent of the total membership of the society. In order that the decisions of the society should be in the hands of the artisans themselves it is generally provided in the bye-laws of the society that at least five out of the seven members of the Managing Committee should be the artisans' representatives.

The price of the shares of these Industrial Cooperatives is kept low so that even the poorest artisan can become a member. There is no doubt that a lot of money is needed to purchase the necessary tools, raw material, etc., and to purchase the shares of the Central Cooperative Bank and the artisans who are generally very poor, cannot invest adequately in the share capital. To enable the societies to mobilise adequate share capital some people who are not artisans themselves, but have sympathy for them are encouraged to become members. The government itself invests in the share capital and gives loans to artisans so that they may become members and purchase shares. This loan is payable in instalments. The societies can get loan from the Central Bank on the basis of the share capital.

The Industrial cooperatives require money generally for the following purposes :

(1) To give loan to members for the purchase of raw materials, etc., and for their domestic needs.

(2) To purchase raw material for use by members.

(3) To bear the management expenditure *viz.*, employees' wages, office rent and other overhead expenses.

(4) To purchase spare parts, tools, equipment and other implements required by the members.

(5) To make furnaces and to build sheds for storing raw material, manufactured goods and equipment.

The major bottleneck in the progress of these cooperatives so far has been the shortage of funds. They usually expect loan from the Central Bank which hesitates to give loans to these societies because their members in general are people who have no capital of their own, who are illiterate, unorganised and indisciplined. The Central Bank cannot have the confidence to give loans unless the financial position of a society has been properly investigated. Even after the investigation the Central Bank can give loan only for working capital and not for capital expenditure. Besides, the Central Bank cannot give loan for more than a specified period say up to 5 years and the societies in general cannot repay the loan within that period. Therefore, the government gives them long-term loans and grants. They are required to pay the loan back in easy instalments. With these long-term loans the societies can have sheds, machines, equipment, etc.

Most of the Industrial Cooperatives cannot bear the expenditure of personnel, etc., in the initial stages. A clerk will be required to maintain accounts, to distribute raw materials and to collect and despatch the manufactured produce of the members. Premises shall have to be rented for office and other work. The societies cannot get loan from the Central Bank for these expenses. Therefore, the government gives full or partial aid to deserving industrial cooperatives for meeting these expenses for some years. Some societies get help for this purpose even from the Central Banks.

The working of Industrial Cooperatives

The Industrial Cooperative have, in the past confined themselves only to providing long-term loans for their members. There is no doubt that the artisans need loans to be free from the exploiting money-lenders. With this help they can not only run the industry but also meet their domestic requirements. But provision of loan by itself would not be sufficient to improve their economic conditions and raise their standard of living. Therefore, in recent years these societies have widened their sphere of work. Their main function now is to provide raw materials and arrange for marketing of the manufactured goods. The society gives raw material to the artisans and gets goods manufactured according to fixed standards and, later, sells the produce on its own responsibility and risk. The artisans are paid for their labour. Another way in which the societies work is that they give raw material to the members either on cash or on credit and help them in marketing the produce. In this the entire responsibility and risk is that of the artisan. The society gives the money realised from the sale of goods to the member only after deducting the amount that he owes to it. The credit account of the society may be the price of raw material, the amount of cash loan, or the commission for arranging sale. Whatever the procedure, the members have to sell their goods through the society. The members can be asked to purchase raw materials only from the society.

These Industrial Cooperatives can undertake big contracts—such as the contract for preparing ready-made clothes—and then get the articles manufactured by their members. If a cooperative finds that its members are unable to complete a contract, it can employ labour from outside on wages. The tasks of giving training for better techniques in handicrafts, securing new designs and procuring new implements, etc., are undertaken by the societies. They also teach the members the use of new implements and get for them contracts from the government departments.

Besides this, some societies make arrangements for the finishing of the goods on behalf of all the members. For instance, the weavers' cooperatives can arrange for the dyeing of the yarn and give finish to the manufactured cloth. Thus they can arrange for such general services which the members cannot manage individually.

They also keep information about the market conditions so that they may apprise the members of the tastes and demands of the consumers and persuade them to produce goods accordingly.

The societies can promote the saving habit and gradually increase their share-capital. They can persuade the members to save one anna per rupee on wages etc., and put all this savings every month in the share-capital. Thus while the members cultivate the savings habit, their share-capital also increases.

The Government of India has given a definite place in its economic planning to village and cottage-industries and more and more money has been earmarked for the purpose every year so that not only the condition of the artisans should improve but also unemployment and under-employment in rural areas should disappear. The following commission and five central boards are working for these industries :

(1) Khadi and Village Industries Commission;

(2) Handloom Board;

(3) Central Silk Board;
(4) Handicrafts Board;
(5) Coir Board; and
(6) Cottage Industries Board.

Their function is to develop village industries, small industries and other specific industries. The efforts of these boards have brought about significant improvement in production and employment.

The industries that run under Khadi & Village Industries Commission are :

(i) Khadi
(ii) Oil-crushing
(iii) Soap-making from inedible oils
(iv) Hand-pounding of rice
(v) Gur and Khandsari
(vi) Tad-gur
(vii) Hand-made paper
(viii) Processing of Leather in villages
(ix) Making bamboo match-sticks
(x) Bee-keeping
(xi) Pottery
(xii) Silk industry.

Handloom, weaving, silk production, making handicraft articles, making coir articles and other small industries can also be undertaken according to local conditions.

Khadi Industry

Hand-woven cloth made from hand-spun thread is called khadi. It is an ancient Indian industry which was very prosperous before the British rule. It was crushed with the advent of foreign rule. It got a fillip during the freedom struggle and today it is an important village industry.

Khadi is of three kinds—cotton, woollen and silk. There is separate arrangement for the production of each type. A large number of spinners, weavers and other workers are engaged in it.

Only for khadi there can be a variety of cooperative societies, *viz.*, society for ginning and spinning cotton, society for weaving and society for finishing, etc. Similarly there can be societies for procuring wool and silk and for spinning and weaving. Four to five lakhs of people are engaged in the production of woollen khadi. The government itself purchases large bulk of woollen khadi and blankets.

So far hand-spinning was done either by the ordinary or the Wardha *charkha* but the output of a man working on it was very small. Now *Ambar charkha* has been developed with which much more thread can be spun. This *charkha* includes machinery for ginning the cotton and feeding it. Many Industrial Cooperatives can arrange spinning with *Ambar charkha*. These societies can provide employment even for women folk in the villages.

Cooperatives are more popular with weavers. They can make arrangement for weaving cloth from hand-spun yarn. Finer cloth can be prepared on handloom by using machine-spun yarn. Industrial Cooperatives can get for their members yarn and handlooms.

Oil-crushing Industry

India is one of the chief producers of oil seeds in the world. Oil seeds are usually crushed either in *ghanis* (indigenous oil crushing apparatus) or in mills. The number of village *ghanis* is going down because of the mills and, therefore, the *oil-crushers* in villages are becoming unemployed. To provide employment for these people and to spare the resources employed in mills for other purposes, it is necessary to revive the village *ghani* system. This can be done by working out a coordinated programme of production by the mills and *ghanis*. The Industrial Cooperatives can crush those oilseeds which are reserved for them.

The Karve Committee has recommended that there should be restriction on the opening of new oil mills. Permission to do so might be given only in special circumstances. The *oil-crushers* should be given interest-free loans to become members of Cooperative Societies. Khadi and Village Industries Commission gives aid for setting up improved *ghanis,* particularly the Wardha *ghani,* and for oil production through *ghani.* Grants are also given for production and training centres. To get training in the use of improved *ghanis,* the Commission gives stipends to *oil-crushers* and mechanics.

The Industrial Cooperative Societies can make use of these facilities provided by the Village Industries Commission.

Soap-making from inedible oils

There are a variety of oilseeds in the country which go waste. If they are used for soap-making, the oil that is at present used for this purpose can be saved for other purposes. While this will provide utilisation of resources being wasted and employment to the unemployed, a lot of edible oil can be available for food purposes.

The Industrial Cooperatives can collect the oil-seeds—*neem, karanj, marohi, dapa, castor* and *oondi*—which go waste and use oils extracted from these for soap-making. These societies can undertake either only oil production, or only soap-making or both. Production centres of *ghanis* numbering up to 40 can be opened. In them the work of collecting oil-seeds, taking out their kernel and crushing oil from them can be done. With that oil soap-making can also be started.

The Khadi and Village Industries Commission gives loans and grants to Industrial Cooperative Societies. Grants are given for the extension of training centres and loans, for the working capital of production centres. Money is also given for paying allowances to managers, inspectors and apprentices. Industrial cooperatives can very well make use of these facilities.

Hand-pounding of rice

Seventy per cent people in India eat rice. Hand-pounded rice tastes better and is more healthy. Also, when pounded by hand the rice does not break much. Moreover, this provides employment to villagers. The Khadi and Village Industries Commission has taken steps to encourage hand-pounding of rice, the adoption of improved pounding techniques and to provide equipment for the purpose.

Gur and Khandsari

India is one of the foremost cane-growing countries. Therefore, the Gur and Khandsari industry has a special significance. This industry utilises 60 per cent of the sugarcane grown in the country. The equipment being old-fashioned extraction of juice is low and the *gur* is of an inferior quality. As there is no adequate arrangement for storage, proper marketing is not possible.

Khandsari is a part of Gur industry. It has the qualities both of gur and sugar. It is cheaper than sugar. The method of its manufacture is primitive and therefore the yield is low.

The Khadi and Village Industries Commission has started laying stress on the use of power cane-crushers and improved cauldrons and furnaces. It encourages the establishment of gur-manufacturing cooperative societies which make good arrangement for the collection, packing and marketing of *gur*. They provide better equipment to improve the process of making gur. The use of better processes and improved implements like crystalisers and centrifugals for the manufacture of khandsari is being emphasised. For the manufacture of Gur, 'A' and 'B' production centres are being set up.

Besides, trainees learning manufacturing techniques are given stipends.

Tad-gur

Tad-gur is made from the juice of tad tree (toddy palm). It is a very old industry. Tad-gur is healthy and full of vitamins. The sugar content is also adequate. Tad-gur industry provides seasonal employment to a large section of the people. Some people get regular subsidiary occupation.

As a result of prohibition the use of toddy has been banned and many toddy-tappers have lost their employment. They can be joined together to form industrial cooperatives for the manufacture of *tad-gur*. There are about 5 crore tad trees in the country from which over ten lakh tons of gur can be prepared. If the use of this gur can be promoted about 20 lakh acres of land, now under sugarcane, can be released for other crops.

The Khadi and Village Industries Commission lays stress upon the use of better implements, techniques etc., for improving the manufacture of tad-gur and its products. For this purpose, demonstration and training centres are opened. The Commission gives grants and loans to cooperatives and other institutions. Besides tad-gur Industrial cooperatives can have articles manufactured of tad-leaf.

Hand-made paper

Paper can be made from waste-paper, tattered cloth and various kinds of grass. The types of paper that can be made by hand are blotting paper, packing paper, stationery paper, card board, etc. This paper is slightly thick and rough for writing purposes. If Industrial Cooperatives take up paper making, the paper mills can be put on to making only writing and printing paper. The Khadi and Village Industries Commission gives loans and grants for the manufacture of paper and the Cooperatives can avail themselves of these.

Processing of Leather

The processing of leather is an occupation of great economic importance in the villages. The number of animals in India is very large with a high mortality rate. If the carcasses of dead animals are properly used, people can find employment in skinning, tanning, shoe-making and glue-making. Foreign exchange can be earned by the export of tanned skins.

Dead animals are not fully utilised in villages at present. They are only skinned and skinning, too, is not properly done. At places too much flesh sticks to the skin and at places it is cut up. Therefore, it is necessary that workers should know the proper method of skinning. The remaining part of the carcass should also be properly used. In the development programme the expansion of large-scale leather industry has been stopped. Centres are being opened for collecting carcasses, tanning leather after skinning and for making glue. People who undertake these jobs are trained in the use of improved methods.

Cooperatives can undertake all these processes. The processed skins can be sold in the market or they can be utilised in shoe making. The Village Industries Commission gives loan and financial help for skinning, bone grinding and tanning of skins. Loans and grants are given for setting up centres or small depots for the sale of skin, leather and leather goods.

Besides, leather workers are given financial help in the form of loans for becoming members of cooperatives and for purchasing improved tools.

Bee-keeping

The honey obtained from bee hives is nutritious and much in demand. Ordinarily the bees are frightened away from the hive by smoke or fire and the honey is collected. In this way many bees die and their eggs, etc., get mixed up in the honey. If honey is taken out by modern scientific methods, the bees do not die and the honey obtained is purer.

Bee-keeping Industrial Cooperatives can be formed to provide subsidiary employment to peasants. The Village Industries Commission gives aid for keeping bees, expanding their colonies, training people engaged in this work, forming cooperatives, marketing of honey and its better utilisation.

Industrial cooperatives can also be formed for pottery, smithy, carpentry, etc. Coir, jute, *moonj, ram-bans* and other thread materials are available in the villages. Cooperatives can be formed for the manufacture of ropes from these.

Silk Industry

Silk-weaving has been an important industry in India. In ancient times Indian silk industry was very advanced and much silk was exported. The industry declined in the 19th century because of a disease among silk worms and later because of the introduction of artificial goods like Rayon. Today, India does not export but imports silk.

Government is paying full attention to this industry. Facilities are being given to the silk manufacturers of Banaras, Madura, Surat, etc., to get raw material. The government has set up the Central Silk Board for the development of this industry.

Industrial cooperatives can get silk yarn manufactured by rearing silk worms. Some societies can get cloth prepared from this yarn. If indigenous silk yarn is not available in adequate quantity, a stock of imported silk yarn can be kept.

Handicrafts

The skill and the constructive genius of Indian artisans find expression in handicrafts. Indian artisans make high class art goods from metals, ivory, wood, clay and other materials. At one time India's craftsmanship was famous all over the world. Interest has been shown in their redevelopment after independence. Today the pashmina shawl, blankets, etc., of Kashmir, the brass utensils of Moradabad and Tanjore and the brocade-sarees of Banaras are in great demand in foreign countries, particularly in the USA and West Germany. Their demand can increase if steps are taken to improve the quality and standard of articles, supplying the orders in time and packing and marketing the goods properly. The Handicrafts Board has been set up to look to all these aspects. This Board has taken in hand the development of 42 industries. They include hand printing and dyeing of cloth, metals, art goods, toys, carving in stone and marble, lacquer work, bamboo articles, superior quality leather goods, glazed articles of china clay, horn goods, gold and silver articles, ivory work, wooden toys, cane and bamboo articles, artistic utensils, mat weaving, lac bangles, *himroo,* carpets, salim-shahi and appa-shahi shoes, leather toys and papier machie articles.

The Handicrafts Board gives loans and grants for setting up cooperatives. Loans and grants are given even for training, research, design development, better manufacturing techniques, improved tools, quality control and marketing arrangement. Handicraft workers can avail of the help of the Board by forming cooperative societies.

Coir-Industry

The thread got from decomposed cocoanut fibre is called 'coir' in Malayalam. It can be used for making door-mats, floorings, mats, ropes, etc. This industry is concentrated mainly in Kerala, although it is carried on in Madras, Mysore, Bombay, Orissa, Andhra and West Bengal also. Articles made from coir do not rot in water. They are resistant to dampness and noise. They are attractive and in great demand in foreign countries. The Coir Board is making efforts for the systematic development of the industry. The Board encourages industrial cooperatives for coir articles. Grants and loans are given for the formation and management of cooperative. Therefore, this industry can be easily set up wherever cocoanut fibre is available in plenty. An Industrial Cooperative can easily be formed with the encouragement of the Coir Board.

Industrial cooperatives can be set up for other village and cottage industries also. There can be cooperatives for the manufacture of farm implements, tin boxes, shoes, etc. Cooperatives can also undertake to manufacture small articles needed by big factories. With the help of cottage industries board these industrial cooperatives can find place even in industrial estates and run their business systematically.

Village industry is the backbone of India's economy. Organisation and development of these industries on cooperative basis is necessary to bring prosperity to the villages. Development programmes based on the cooperative system will place the village economy on a more sound footing and further strengthen it. The Village Level Worker can do a lot for the implementation of this allround development programme and for the organisation of village industries on cooperative basis.

CHAPTER VIII

SOME IMPORTANT TASKS OF THE GRAM SEVAK

Broadly speaking Gram Sevak is appointed for ten villages. He is the vital link in the hierarchy of extension service work.

A Gram Sevak is a multi-purpose worker and as such has to look to cooperation also. There are separate Extension Officers for Cooperation and Cooperative Inspectors but no important work in village life can be done without the help of the Gram Sevak. He is no longer an individual in the village, but an institution. He must have some knowledge of everything. His devotion and enthusiasm should inspire confidence among the people to engage in cooperative activities. He intimately knows the people with whom he works. He is given special training in the field of agriculture.

As already mentioned his main motive should be to serve the community. His interest in development work should be contagious. His scope of work therefore covers the life of the villagers in its entirety. His help in promoting cooperation is thus very vital.

Expansion of Membership and Share Capital of Societies

To achieve success a cooperative society must necessary have a large membership. The larger the membership, the bigger will be the amount of share-capital, and the stronger the basis of the society. Such a society would be more effective. A gram sevak can encourage people to become members, and induce them to purchase additional shares to enhance the other society. Generally the villagers avoid participation in such societies. They should, therefore, be first educated about the need for working on cooperative lines. The uses of Cooperation can be explained through small group discussions, distribution of printed matter, radio broadcasts and film shows. Thereafter members can be enrolled for a particular cooperative society by explaining its specific aims and benefits. In the beginning the members may not be able to pay the entire membership fee. Therefore, a Gram Sevak should arrange for the payment of share money in instalments and help in the collection of instalments.

The Gram Sevak also wields some moral influence in the village which he can use to persuade more people to become members of cooperative societies. He should go to meet the villagers when they have leisure and can listen to him and think over what he says. The work of increasing the membership of cooperative societies cannot be done in a day. The Gram Sevak should first explain his ideas and then let them think over them. On a second meeting he should try to remove their doubts and impress upon them that Cooperation is the only solution of their problems. Once they fully understand the uses of Cooperation, there would be no difficulty in enrolling them as members. Of course, for collection of share-capital a Gram Sevak should choose a time when they can easily pay.

After cooperative societies are formed, they give loans to the farmers and other members. Sometimes, the share-capital is also received in instalments. Thus the members owe money to societies. The officials of the cooperative society cannot always meet all the members and human nature

being what it is the members rarely come forward to make payments on their own. Therefore the realisation of money from members is always a problem. The Gram Sevak can play an important role here. For this it is necessary that he should know how much money does a member owe to the society and in what account. The Gram Sevak should go to the members only when they have money to pay. Generally the harvesting time is the most appropriate for this. If in the course of his work a Gram Sevak learns that a particular member, who owes money to the society, has sold grain or some other produce, he should try to persuade him to make payment to the society. He should also explain to members that if they do not pay on time they are themselves the losers as the society suffers. In turn, the society's capacity to borrow from the Bank declines which creates difficulties for members in getting money in future. The Gram Sevak should make the members conscious of their responsibilities. All this work has to be done very tactfully so that the societies get their money in time, members develop a sense of responsibility and there is no ill-feeling against the society because people generally get annoyed when demand for money is made.

Depositing the savings with cooperative societies

One of the aims of the cooperative movement is to inculcate in the members the habit of economy and savings. Money should be spent only where it is necessary and the amount saved should be deposited with the village cooperative society. The Gram Sevak can be helpful in this also. It is not a few days job. He will have to continuously talk to the members about the importance of economising. Wherever there is extravagence, he should politely point out the mistake. When they are prepared to save they should be persuaded to deposit the money with the cooperative societies. This improves the resources of the cooperative which, then, can serve its members better.

General Body meetings of the Cooperatives

The Gram Sevak's sense of duty and service pervades the village in the same way as fragrance in a flower. Therefore in spite of having no direct responsibility for the organisation and management of cooperatives, he is connected with their work at every step. It is always better to organise the General Body meetings of the cooperatives with the help of the Gram Sevak. The success of the cooperative society, depends, to a large extent, on the interest that its members show in its activity. To develop more and more interest in the work of society among members, frequent meetings of the General Body are essential, no matter if there is no particular agenda. The meetings have an educative value. All members should attend the meeting and take interest in the work of the society. In this way they get training in democratic functioning. People learn through practice the basic principles and working of Cooperation. Collecting maximum number of members on such an important occasion, seeing the proceedings of the meeting through peacefully, solving in a quiet way any problem or dispute that may arise, fixing the future programme of the society and conducting elections to the Managing Committee for the coming year in all these spheres a Gram Sevak can render useful service. Quite often in the meetings of the General Body hot words are exchanged which develop into serious disputes. Parties are formed and the society, instead of being an instrument of progress through cooperation becomes the source of dissensions. The Gram Sevak should talk to the leading individuals and settle

the possible disputes before-hand. The Gram Sevak, fully aware of the activities in the village, knows the pulse of the people. He should, therefore, so manage things that the annual meetings of the General Body conclude in peace and the society may chalk out a useful programme for the future.

Broadcast of instructions & information on Cooperative

"Panchayati Raj" and "Cooperative Society" are not mere slogans. On these are to be laid the foundations for the future of the country. Community development is not possible without the organisation of the rural economic life through cooperative societies and without the fulfilment of political aspirations through Panchayati Raj. The villagers, the gram sevaks and the development staff, all should remember that democracy cannot succeed without community development.

From this view-point it is very necessary that the Gram Sevak should acquaint the villagers with the uses of Cooperation. There is a proverb in Hindustani which says what is difficult for one man to do can be easily done by mutual cooperation. This is the fundamental spirit of a cooperative society. The condition of the Indian villages can improve only if efforts are jointly made. The government is keen to improve but the government, too, can help only those who are prepared to help themselves.

The function of the Gram Sevak is to explain to the farmers how they can help themselves by forming cooperative societies. He has to look after ten villages; therefore, he cannot meet every individual separately. The best way is that he should hold meetings and group discussions of the peasants and other villagers in which he should explain the uses and the ideals of cooperation and also how they can be achieved in practice. All farmers are not equally intelligent. Some farmers quickly pick up progressive ideas while others, who are conservative, oppose the adoption of new ways. The progressive farmers who come forward should be picked up and so trained as to give lead to the others.

The best time for this propaganda is when the peasants are free. During the period of active agricultural operations, only the most important meetings should be called and the timings also should be so fixed that maximum number of people are able to attend. The venue of these meetings should better be at a central place in the village. As far as possible the Extension Officer (Cooperation) should be invited to these meetings. His presence will have a good influence on the farmers.

Exhibitions showing what improvements in village life can be made by pursuing the ideals of cooperation, can be organised where work done by successful cooperative societies can be exhibited. When, in this way, people develop interest in the principles of cooperation, it would be easier to form cooperative societies. This education regarding cooperation should continue even after the cooperative societies have been formed. This will strengthen the faith of the people and help in attracting them towards cooperation. Thus the base of cooperation shall become stronger.

Once the interest in cooperation has been aroused, it will be necessary to set up societies. The Gram Sevak with the help of other cooperation staff of the development block, can tell the villagers what cooperative activity

can be started in view of the local conditions. To provide subsidiary employment to farmers, cooperatives can be formed for the production of milk, ghee, butter, etc., or for growing fruits or vegetables. They can also form industrial cooperatives for other cottage industries.

In fact, a Gram Sevak should always be contemplating the assessment of resources and their proper utilisation so that he can make suggestions about their use on cooperative basis. He should not merely make the suggestions but also give guidance, for their implementation and tell people what facilities the government and other official institutions are giving to the cooperatives and what help these can give by way of loans, grants and quotas. He can get information about the government programme for cooperation from the Extension Officer and convey it to the villagers and thus help them in fully utilising the local resources.

All these things demand selfless service and devotion on the part of the village worker. Apart from the pay that he gets, the main reward for his labour is the prosperity of the village community. There is no greater pleasure than seeing the people happy and no greater satisfaction than knowing the extent to which his efforts might have contributed towards that happiness.

The progress and prosperity of the country depends upon the villages. The prosperity of the village implies that it should have full opportunity to play its role in the total economic and political growth of the country. Democratic decentralisation provides the basis to people to work for their own progress. Panchayati Raj and Cooperation are the two wheels and the Gram Sevak the axle between the two. To awaken the villagers and organise them on cooperative lines is his task. Cooperative efforts would lead to rural prosperity on which depends the prosperity of the whole country. Our dream of a socialistic society would also be realised only when the villagers organise themselves on cooperative basis and fully utilise their resources in men and materials. In the garden of a cooperative society the fragrance of the Gram Sevak shall pervade everywhere and every blossoming bud of prosperity shall spread it to distant places. The Gram Sevak can play a significant role in making the cooperative movement in villages a success. He will then have laid the true foundations for the economic growth of the country on democratic lines.

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